Donald Trump
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FINANCIAL TIMES

Europe's Business Newspaper MONDAY JANUARY 31 1994 D8523A

Sinn Féin leader allowed to enter US for conference

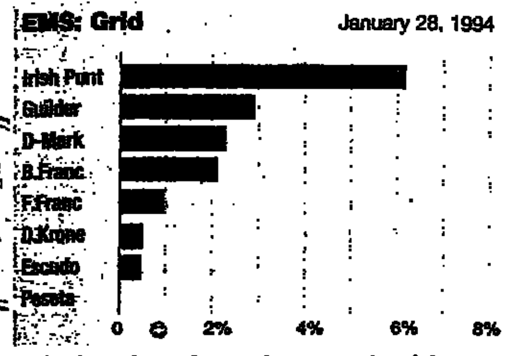
Gerry Adams, president of Sinn Féin, the IRA's political wing, is to be allowed to attend a conference in New York tomorrow on Northern Ireland. Adams, repeatedly denied admission to the US over the past 20 years because of alleged "involvement in terrorism", will make the visit under strict conditions. He will stay only 48 hours, be barred from travelling more than 25 miles from New York and will not be allowed to engage in "direct or indirect fund-raising", a US administration official said.

SA elections face boycott: South Africa stepped closer to ethnic conflict as the Zulu Inkatha Freedom party and extreme right Afrikaner Volksfront demonstrated opposition to April's all-race elections due in April. Page 16

Banesto rescue plan takes shape: Banco Bilbao Vizcaya and Banco Santander are seen as the contenders to control Banesto, the Spanish banking group, according to a rescue plan agreed by the Bank of Spain and the private banking sector. Page 17; Lex, Page 16

European Monetary System: The Danish, Spanish and Portuguese currencies last week shrugged off minor interest rate reductions and caught up slightly with other members of the European exchange rate mechanism. The D-Mark ended the week on a firm note but was still only the third strongest currency in the system. Currencies, Page 29

EMS: Grid January 28, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Balladur aims to boost economy: Prime minister Edouard Balladur announced measures to stimulate France's struggling economy and curb the rise in unemployment. Page 16

Companies eye Ferranti: UK, French and US companies are serious candidates to take over the bulk of the defence electronics operations of Ferranti, the UK group which went into receivership in early December. Page 17

Doctors killed by avalanche: Five British doctors and their ski instructor were killed by an avalanche in the Val d'Isère area of the French Alps. Another British doctor survived a night in the open after freeing himself from the snow.

Pledge by Marchais successor: Robert Hue, 47, took over as French Communist party leader from Georges Marchais, and called for broader participation in policy-making as the way to reverse the party's electoral decline. Page 2

April lift-off for Eurofighter: The Eurofighter 2000, developed jointly by Britain, Germany, Italy and Spain, is expected to make its maiden flight in April, more than two years later than originally planned. Page 6

Algeria names president: Algerian defence minister Liamine Zeroual will be sworn in today as president, replacing an unelected five-man presidency installed after multi-party elections were cancelled two years ago. Page 4

EU tackles China trade row: European Union diplomats will meet in Brussels this week to try to decide whether to recommend abolition or harmonisation of national quotas on Chinese imports such as bicycles, kitchenware, training shoes and toys. Page 5; Editorial Comment, *Page 15*

Exclusive call by Saudi royals: The Saudi royal family has secretly commissioned a mobile telephone network for its exclusive use from Siemens, German electronics group. Page 16

Russian price controls urged: Veteran economists have urged wage and price controls in a report to the new Russian government to help "correct" President Boris Yeltsin's economic changes. Page 2

Cures for ailing air industry: Greater competition, heavy cost-cutting and tougher curbs on state aid are expected to be urged by a long-awaited report on the future of the European Union's airline industry due out tomorrow. The industry lost $700m in 1992. Page 2; UK air engine power record challenges US. Page 3

No Bundesbank reserves for EMI: Bundesbank president Hans Tietmeyer ruled out transferring any of the bank's reserves to the new European Monetary Institute, saying the EMI would have only an advisory role throughout the so-called phase two of the process towards European monetary union. Page 2

Youngest grandmaster: Peter Leko of Hungary, aged 14 years and four months, became the youngest chess grandmaster by finishing third in the Wijk aan Zee tournament in the Netherlands. Grandmaster is the highest ranking apart from world champion..

Arafat says agreement on Palestinian self-rule could be signed soon

Israel and PLO close to deal

By Ian Rodger in Davos and Julian Ozanne in Jerusalem

Israel and the Palestine Liberation Organisation were last night on the verge of a breakthrough agreement which would allow for an Israeli withdrawal from the Gaza Strip and Jericho, according to Mr Yassir Arafat, PLO chairman.

Mr Arafat said after a marathon session of talks with Mr Shimon Peres, Israel's foreign minister, at the World Economic Forum in Davos, Switzerland, that an agreement on implementing Palestinian self-rule could be signed at a summit in Cairo "very soon".

Palestinian officials said an agreement was prepared and waiting for approval. Mr Arafat said he hoped remaining difficulties would be ironed out in talks last night.

Neither side gave details of the draft deal, but Israeli officials in Jerusalem said the critical breakthrough in Davos had been broad agreement on security at border crossings between Gaza and Egypt and between Jordan and Jericho. The issue, along with disagreements over the size of the Jericho area and the security of Israeli settlers, has dogged moves to implement the initial accord signed last September.

The two sides agreed that although most Israeli security checks of Palestinians crossing the borders would be conducted "invisibly" by electronic means, Israel could retain the right physically to check Palestinians suspected of security violations, Israeli officials said.

The PLO had withdrawn its demand to control the roads leading to the crossings in return for an Israeli concession to grant the Palestinians access corridors from the self-government areas to the border crossings.

Officials said a copy of a draft wording on the border issue had been sent to Mr Yitzhak Rabin, Israel's prime minister, and returned largely approved but with some reservations to Mr Peres for last night's negotiating session.

Israel also conceded safe passage of Palestinians by land corridor to the religious site of Nebbi Mussa and to the northern Dead Sea where Israel and the PLO will establish a joint-venture tourist resort.

On the second substantive obstacle - the size of the Jericho area - a final area of around 60sq km had been agreed between the two sides, the officials said. Israel had previously offered 25sq km and the PLO had demanded 345sq km.

Officials said last night's talks would focus on the last major outstanding issue - the security arrangements for Jewish settlers who will remain in Gaza. Israel has demanded a wide area of operation - up to 46 sq kms - to protect Israelis in their settlements and on roads between the settlements and Israel. Hailing yesterday's progress, Mr Arafat and Mr Peres saluted each other warmly on the platform at Davos in front of an audience of 800 business leaders from around the world.

Mr Arafat thanked Mr Peres "for his positive stance which I had felt and touched during these talks". Mr Peres paid tribute to Mr Arafat's "supreme effort to bring our two peoples together in the domain of peace and hope".

Mr Peres invited business leaders from the US, Europe and Japan to come to a regional economic conference being planned for Amman later this year to help "to build the new Middle East".

Both men, aware of the composition of the audience, emphasised the need for building "an economic platform" on which an enduring regional peace could be erected. Mr Arafat said Palestine needed nothing less than a new Marshall Plan. Palestine was in danger of becoming another Somalia, with 58 per cent unemployment in Gaza, but it had an educated and skilled labour force.

Israeli minister may quit, Page 4

Marathon session: Israeli foreign minister Shimon Peres (left) and PLO chairman Yassir Arafat at the World Economic Forum in Davos Reuter

Japan to act quickly on $125bn stimulus package

By William Dawkins in Tokyo

The Japanese government this week plans to follow its agreement on political reform with a long-delayed package of tax cuts and government spending, estimated to total at least Y14,000bn ($125bn).

Mr Morihiro Hosokawa, the prime minister, said at the weekend he aimed to announce details by the end of the week. His seven-party coalition government would seek co-operation on economic policy with the opposition Liberal Democratic party.

The package will come as a relief to the US and to Japanese business organisations, which have been urging the government to take steps to relieve the worst recession since the second world war.

Until the weekend, the coalition's ability to act on the economy was paralysed by its attempts to win parliamentary agreement on plans to redesign the electoral system and curb political corruption. Failure to reach a deal by the end of the parliamentary session at midnight on Saturday could have led to the government's collapse.

However, parliament voted in favour of a last-minute compromise worked out between Mr Hosokawa and Mr Yohei Kono, president of the LDP.

The newly confident coalition plans to hold elections under the new electoral system "anytime from this autumn", said Mr Masayoshi Takemura, chief cabinet secretary.

Ministers responsible for the economy started work on the package at the weekend. Early drafts envisage Y6,000bn to Y7,000bn in income and residential tax cuts, plus Y4,000bn of government spending on infrastructure, according to government officials quoted in the Japanese press. It is also said to include increased loans for housing and small businesses, plus possible tax concessions for corporate land sales.

The government will draw up its budget for the coming fiscal year by February 15, nearly two *months late, said Mrs Manae*

Continued on Page 16

Soros and GE plan developing world fund

By Martin Dickson in New York

$2.5bn venture to finance electrical power plants

Mr George Soros, best known as the currency speculator who made massive profits betting against the pound during the 1992 sterling crisis, is joining forces with GE Capital, the financial services arm of America's General Electric, to raise $2.5bn *to invest in power projects in the* developing world.

The fund should give a strong boost to General Electric's power plant manufacturing business as it fights for global market share against rivals such as Europe's Asea Brown Boveri.

Cash-strapped governments in developing countries, particularly in Asia, are increasingly willing to allow private sector capital to finance new electrical power plants.

The venture represents a further shift in Mr Soros' investment strategy which has been mainly concentrated on volatile debt, equity, currency and commodity markets. Last year he moved into property.

GE Capital and Quantum Industrial Holdings, a new fund to be managed by Soros Fund Management, will each invest $200m in the new venture, called Global Power Investments.

The International Finance Corporation, the private financing arm of the World Bank will be the third founding partner. The IFC's planned $50m investment in the fund is awaiting formal approval.

The partners plan eventually to raise $2.5bn in equity finance from a wide variety of investors, ranging from businesses with interests in the construction or operation of power projects to passive investors who believed this was a growth market.

The venture's *initial focus will* be on Asia - particularly China, India and Indonesia - and on Mexico. GE Capital and various partners are currently in advanced discussions about projects in each of these four countries.

The fund is believed to be the first of its kind, although vehicles have been formed before now to invest in individual developing world power projects.

Mr Gary Wendt, chief executive of GE Capital, said the venture was an outgrowth of GE Capital's existing power financing business, which until now has focused mainly on the US market where it has financed more than $7bn of projects through a mix*ture of debt and equity.*

Mr Wendt said Mr Soros's involvement in the venture stemmed from a friendship between a senior GE Capital executive and an associate of Mr Soros.

"Mr Soros has not only a large amount of money at his disposal but a keen understanding of the rest of the world," Mr Wendt added. "He is a true international investor. Marry that with GE's *international activities* and we think we have an excellent combination."

Russia will cut aluminium output in international deal

By Kenneth Gooding, Mining Correspondent, in London

Russia is to cut its annual aluminium output by 500,000 tonnes, or about 15 per cent, for two years as part of an unprecedented international trade deal agreed at the weekend by the world's leading aluminium-producing countries.

Western producers are expected to follow Russia's lead with reductions which will cut back global aluminium output by 1.5m to 2m tonnes - or about 10 per cent.

The arrangement aims to end growing friction between Europe, the US and Russia over aluminium supply surpluses that last year produced record stockpiles of the metal and cut prices by half to record lows.

Nearly two-thirds of the former Soviet Union's aluminium was used by the military but is now being exported. This has boosted CIS aluminium exports from 250,000 tonnes in 1989 to an estimated 1.6m tonnes last year.

In the west, where aluminium is used mainly for transport equipment, construction and packaging, producers have already cut annual output by 1.4m tonnes or nearly 10 per cent of their total capacity. But stocks have continued to accumulate at the rate of 1.8m tonnes a year. Many producers were unwilling to make further cuts unless Russian industry shared in the reduction.

Now a formula to bring the market back into balance has been approved by trade representatives from Australia, Canada, the 12-nation European Union negotiating as one, Norway, Russia and the US.

Mr Georgy Gabuniya, Russia's deputy foreign trade minister, said after tense discussions last week with the republic's smelter managers that Russia would cut its output by 300,000 tonnes in the three months beginning tomorrow and then by a further 200,000 tonnes in the following three months.

The memorandum of understanding accepted by the aluminium producers at the weekend provides no specific targets for individual western countries because of anti-trust problems. The trade delegates hope they can convince anti-trust authorities in the US and elsewhere that the aluminium industry is reacting to market forces rather than acting as a cartel aiming to lift prices.

Production cuts will be monitored by the International Primary Aluminium Institute, a London-based data collecting organisation. There is to be another meeting between the trade delegates in Canada at the end of February to assess whether the scheme is working properly.

If it does work, the EU will almost certainly drop the restrictions on CIS aluminium imports it imposed last August to safeguard the European industry.

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L10000
						UAE	Dh12.00

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NEWS: INTERNATIONAL

Russian report urges pay and price controls

By Leyla Boulton in Moscow

Veteran economists who failed to convince President Mikhail Gorbachev to start market reforms have included wage and price controls in recommendations to the new government to help "correct" President Boris Yeltsin's economic changes.

A report drawn up by a team including Prof Stanislav Shatalin, father of the radical 500-Day Programme, and Dr Leonid Abalkin, a former presidential adviser who opposed the 500-Day plan, was commissioned by the government in its desperate search for "non-monetary" methods to fight inflation.

The report sums up all the hopes of opponents of liberal reforms that painful financial stabilisation can be avoided and that the government can reimpose controls for which it no longer has the levers.

Arguing that liberalising energy prices in a still-monopolised economy would only fuel inflation and cut industrial production further, the report proposes fixing prices for raw materials and rail transport.

Through these price controls – with taxes imposed on producers which sell for free prices to subsidise the companies which have to operate under fixed prices – it hopes to restructure Russia's skewed price structure. The liberals who have lost power say that the only way to eliminate the imbalances which mean that industrial prices are higher than agricultural prices is to force enterprises to behave in a more market-orientated way by reducing their state subsidies.

The report also proposes to "mobilise domestic savings" to help stabilise the economy but does not say how this can be achieved when high inflation discourages investment and pushes individuals and companies to keep their money in dollar-denominated bank accounts.

It suggests combining unspecified wage controls with the indexation of salaries to keep up with a minimum subsistence level. It also emphasises reliance on the former Soviet republics as the main market for Russian companies, and proclaims the need for Russia not to rely on external assistance for reforms.

The team urges rejection of voucher privatisation - due to come to an end on July 1 anyway – and calls for more active intervention by the state in how enterprises are privatised and restructured.

Accusing the outgoing radicals of "naive faith that monetarism will automatically lead to economic recovery", the report nonetheless urges a tough monetary and fiscal policy, and selective support for industry, both of which have been government policy for two years.

Prof Shatalin admits that printing money to finance the extra expenditure would fuel inflation but justifies it by saying "if the money leads to higher output and more goods, that will reduce inflation".

Chernomyrdin doubles forecast of year-end inflation

Mr Victor Chernomyrdin, the Russian prime minister, at the weekend doubled his own forecast of year-end inflation to 15-18 per cent a month, in the clearest indication yet that he will abandon the country's radical reformers' fight against inflation, write Leyla Boulton in Moscow and Ian Rodger in Davos.

In Davos for the World Economic Forum, Mr Chernomyrdin reiterated his commitment to continue market reforms, saying that he hoped to "reduce" inflation to 15-18 per cent a month by December after "keeping" it at 20 per cent in the first half of this year.

The new target not only overlooked the fact that inflation was brought down to 12 per cent in December by his former finance minister, Mr Boris Fyodorov. It also marked a sharp increase in the 8-9 per cent target he himself produced when he first announced "corrections" to radical reforms less than two weeks ago.

However, he said that Russia would push "full steam ahead" with economic reforms and that he wanted Russia to become fully integrated into the international economy through membership of leading economic institutions and also the European Union.

He urged that the Group of Seven leading industrial nations – the US, Japan, Germany, Canada, France, Italy and Britain – be expanded to a "Group of Eight" to include Russia.

"The reform in Russia is irreversible. We will never turn back from the course we have taken," he said. "I am not in favour of controls on wages or on the supply of goods to the population," he said.

"As a manager in the Soviet Union I learned myself through bitter experience what the socialist system of distribution is."


Hue: wider participation

Marchais successor in pledge on policy

By John Ridding in Paris

Mr Robert Hue, elected at the weekend to lead France's Communist party, called for broader participation in policy-making as the way to reverse the party's electoral decline.

But he indicated there would be no marked departure from the policies pursued over recent years by Mr Georges Marchais, the veteran party leader who stepped down after 22 years as general secretary.

"I will be the leader of continued change," Mr Hue said in a newspaper interview.

Mr Marchais, unexpectedly, will retain a seat on the party's national committee, the top executive body. Mr Hue, however, stressed that he would be independent in his leadership. "Georges is not trying to cling on, and I am not under the guidance of anyone," he said.

According to Mr Hue, the party congress in Saint-Ouen, a Paris suburb, had agreed to "confirm and extend the renovation of the party" which has seen its share of the vote fall from almost 25 per cent in the early-1970s to 9 per cent in the first round of last spring's general election.

"We must do everything for and by democracy, through the development of the participation of workers, citizens and the people," said Mr Hue.

The congress voted to approve new statutes which say policy must now be built on a diversity of opinion, representing a move away from the principle of democratic centralism.

But the move was not enough for some reformers within the party who have urged a bigger break from the orthodox Communist policies pursued by Mr Marchais, and who blame his hardline views for the party's decline. Mr Charles Fiterman, a former transport minister and a leader of a reformist faction within the party, announced at the congress that he would step down from the party's leadership because of its failure to modernise.

Mr Hue hinted at the possibility of co-operation with the Socialist party but said all parties of the French left needed to rethink their strategies. "The Socialist party was in power and its policies were massively condemned by the people," said the Communist leader, adding that the left "has to start anew".

Mr Hue said that his immediate priority was to prepare the party for cantonal elections in March. "Many people have expressed their opposition to the policies of the right, and these elections will be their first opportunity to express their opinions." He declined to say whether he sought to head the party's list for the forthcoming European parliamentary elections.

Mr Hue, 47, is little-known outside the Communist party, which he joined at the age of 16. A male nurse by training, he became a full-time party bureaucrat and has been a member of the party's central committee for the past six years.

Bundesbank will not pass reserves to EMI

By Ian Rodger in Davos

The Bundesbank's president, Mr Hans Tietmeyer, has ruled out transferring any of its currency reserves to the newly-established European Monetary Institute.

Speaking at the annual meeting of the World Economic Forum in Davos, he stressed that the EMI would have only an advisory role throughout the so-called phase two of the process towards European monetary union. Responsibility for monetary policy would remain in the hands of member country central banks.

He pointed out that, according to the Maastricht treaty, important decisions of the EMI during this period would have to be unanimous.

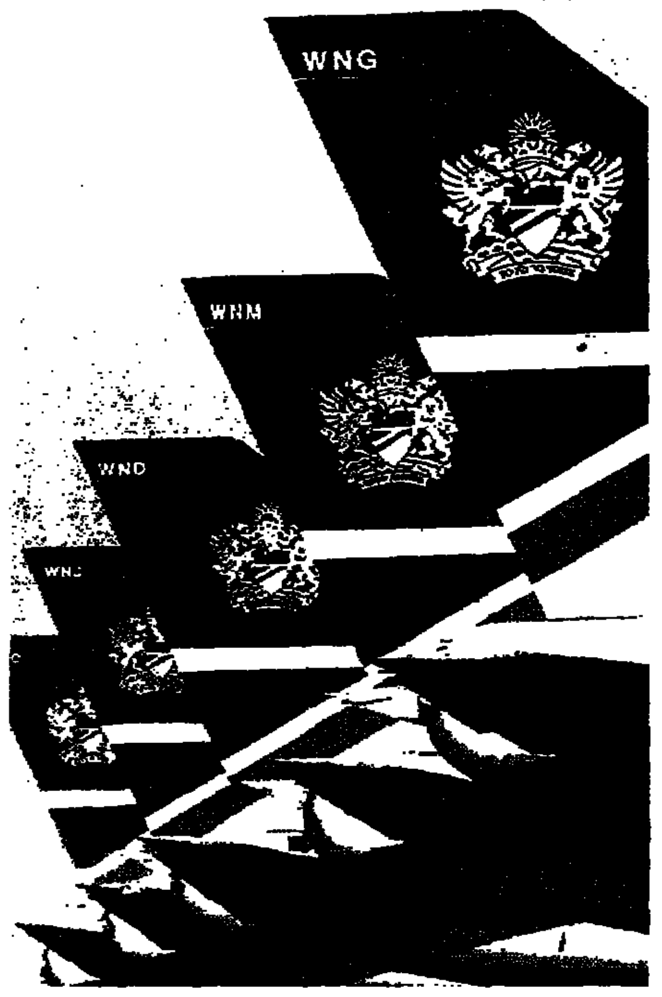
The treaty permitted central banks to transfer reserves to the EMI, but Mr Tietmeyer said he had not heard of any country willing to do so. "The Bundesbank will not do this. We feel we are equipped to manage our reserves in the appropriate way. Of course this will change when we move into the situation of a European central bank."

He also cautioned the EMI against promoting the Ecu as a currency. "The EMI's task is to facilitate but not to promote the Ecu. The Ecu is not a currency, it is a basket, and there are exchange risks in it during phase two."

The EMI, which is to be located in Frankfurt, began work on January 1 and has the task of preparing the ground for eventual monetary union, due in 1999. Mr Tietmeyer said he did not believe lasting monetary union could be achieved without a parallel political union of EU countries.

He said numerous issues connected with monetary union still had to be resolved, including what the main policy aims of a European central bank should be. While the Bundesbank set priority on money supply targets, the Bank of England stressed price stability, and other countries pursued exchange rate policies, he said.

Mr Jean-Claude Trichet, governor of the Bank of France, said the EMI's most important task was to prepare the ground for monetary union, seeking solutions to technical obstacles in member countries and promoting standardisation of statistics.



Tails up. British Airways is among a group of airlines likely to use the report to press for extension of the "open skies" policy

EU's airlines face flying with less aid

By Lionel Barber in Brussels

The long-awaited report by the "committee of wise men" on the future of the European Union's airline industry due out tomorrow is expected to call for greater competition, heavy cost-cutting and tougher curbs on state aid.

It is also believed to rule out creation of a special fund to prop up the region's ailing airline industry beyond what is already available under the European Union's social fund.

The European Commission ordered the creation of a committee of wise men last summer to analyse and propose possible cures for the crisis in the industry, which lost $700m (£466m) in 1992.

The group was headed by Mr Herman de Croo, former Belgian transport minister. It also included representatives of the travel and tourism industry, as well as trade unions.

Its recommendations may draw fire from state-owned carriers such as Air France, Italy's Alitalia and Belgium's Sabena who remain worried about progress toward US-style deregulation. During hearings last autumn, this French-led coalition called for a freeze on air capacity to prevent the slump in air fares. They also argued that some financial aid was necessary to help them restructure and tackle low-cost US competition.

On the other hand, a UK-led group of airlines is expected to use the report to press for an extension of the "open skies" regime and a ban on government subsidies to national flag-carriers.

The report itself does not rule out state aid, but suggests that it should be granted only in very limited circumstances. Last year the Commission authorised a I£175m (£167m) equity injection by the Irish government into Aer Lingus, but attached strict conditions.

The report's findings are non-binding and will be discussed at an informal meeting of EU transport ministers in Athens on February 7.

Germany faces week of protests and stoppages

By Christopher Parkes in Frankfurt

Germany is bracing for strikes and demonstrations in the engineering sector this week as the unions step up their fight over pay and benefits. Workers in several factories briefly downed tools on Saturday foreshadowing what the unions hope will be a wave of action throughout western Germany.

The IG Metall union has set a two-week deadline for employers to make a "serious" wage offer, after which formal strikes would be unavoidable. In the first phase of pay talks regional employers' groups refused to discuss IG Metall proposals for between 5.5 per cent and 6 per cent more pay.

Although the union has said it would accept less in return for job guarantees or promises of fewer redundancies, the employers are understood to be seeking further concessions, including reductions in holiday pay and changes to the basic agreement.

IG Metall has said it will call warning strikes – usually stoppages of up to an hour or more – in selected companies starting today. Although they represent the lowest step on the escalation ladder, such strikes can be severely disruptive, interrupting just-in-time deliveries to other companies, for example.

Asea Brown Boveri, one of Germany's biggest engineering concerns, warned last week that it could not be blackmailed by strike threats. The Swiss-based multinational could move production to other bases, even in eastern Europe, at short notice, according to Mr Eberhard von Koerber, head of ABB's German operations. Whether the work would later come back to Germany was another question, he told journalists in Baden-Baden.

Mr Dieter Kirchner, head of the Gesamtmetall engineering employers' association, told Bild am Sonntag newspaper yesterday that even the unions conceded that 10 per cent of companies in the sector would go bankrupt in a strike. "That means that hundreds of thousands of jobs will be destroyed," he said.

However, industry executives are confident that serious conflict will be avoided because they doubt union members have the heart for a struggle. The automotive and mechanical engineering industries alone shed 240,000 jobs last year. Many large companies have also negotiated in-house deals, diluting the traditional national pattern of agreements, but often incorporating measures to protect jobs.

Moslems claim thousands of Croat forces have been thrown into war

Zagreb denies troops in Bosnia

By Laura Silber in Belgrade

Officials in Zagreb have denied that thousands of Croatian army troops are fighting Moslems in central Bosnia, contradicting mounting evidence of Croatian and Yugoslav military involvement in carving out ethnic mini-states in Bosnia.

Zagreb and Belgrade have consistently denied that they are trying to partition Bosnia between themselves at the expense of the Moslems. But the recent accord signed by Croatia and Serb-led Yugoslavia to normalise relations has compounded fears that the two states are intent in carrying out the carve-up.

The head of the Croatian army political section, Mr Drago Krpina, admitted on Saturday that up to 2,000 private citizens may be fighting as volunteers in Bosnia, adding that some may be wearing Croatian army insignia.

His denial of Croatian troop involvement was followed by a Sarajevo radio report that the Croatian army yesterday used helicopters to bombard Kute, a village in central Bosnia.

In a statement yesterday the mainly Moslem Bosnian army said that the Croatian army had deployed its seventh brigade to fight in disputed towns in central Bosnia, even sending 12,000 fresh troops, bringing the total to some 20,000 regular soldiers of the Croatian army, according to Sarajevo radio.

UN officials say some 5,000 Croat army troops with helicopters, tanks and other military hardware have been deployed in Bosnia.

Despite frequent threats, the international community has stopped short of imposing economic sanctions on Croatia, like those in force in Serbia.

Meanwhile, General Momcilo Perisic, chief-of-staff of the Yugoslav army, in an interview yesterday, denied any involvement in Bosnia. However, UN soldiers and local inhabitants have repeatedly witnessed the despatch of Yugoslav troops and equipment across the frontiers.

Soldiers from the elite paratroop unit, the 63rd brigade from Nis in eastern Bosnia, have reportedly helped execute big offensives launched by their Bosnian Serb counterparts, according to UN officials.

Despite the abundant evidence of Yugoslav army involvement, western governments have remained silent, apparently at a loss after 20 months of punitive sanctions against Belgrade have failed to prevent the carve-up of Bosnia.

But a recent report in the magazine Aviation Week and Space Technology says that the CIA is sending two unmanned reconnaissance aircraft to Albania to monitor troop movements, which suggests that they are planning to gather aerial satellite reports.

Britain today will resume its relief convoys in Bosnia, ending a three-day suspension following the murder of an aid worker, Mr Paul Goodall.

The Overseas Development Administration yesterday said the 85 Britons would return to their convoy teams in Bosnia. UN relief officials said the Bosnian government had announced the detention of four suspects.

Polish row over control of state banking

By Christopher Bobinski in Warsaw

Poland's two-party coalition government has been plunged into an internal struggle over control of the state banking and insurance sectors, following the dismissal of Mr Stefan Kawalec, a deputy finance minister, by Mr Waldemar Pawlak, the prime minister.

Mr Marek Borowski, a deputy premier and finance minister, has demanded an explanation in writing from Mr Pawlak by tomorrow.

The dismissed deputy minister, who has been responsible for banking and financial services since 1989, said he had been told by the prime minister that he was being dismissed as a result of "a review of my work and plans for the privatisation of banks and insurance companies".

The dismissal follows the privatisation of Bank Slaski, whose shares soared from the public offer price of 500,000 zlotys (£15.40) to 6.7m zlotys, valuing the bank at the equivalent of about $2.9bn (£1.94bn) last week.

The prime minister, who heads the PSL farmers' party, appears to be using the outcry over the disposal to make political inroads at the finance ministry. When the coalition was formed last autumn, the finance ministry, like the privatisation ministry, was assigned to the Left Democratic Alliance (SLD), which is the dismissed minister's party.

Mr Borowski says he has asked the NIK, the state audit and general control body, to investigate the bank sale.

So far two big banks have been privatised and a further six are to be sold by the end of 1996. The Krakow-based Bank Przemyslowo Handlowy is to be sold by mid-1994 and a flotation of the state's holding in the Warta insurance company is also planned.

French sing a song of Francophilia

Musical defence of the nation is causing some discord, reports David Buchan

France is having a fit of the Francofollies and that's official. A Paris-based organisation called Francofolies will this week be promoting French songs in all of New York's French restaurants, in Amsterdam, Madrid, Copenhagen, Mainz and Berlin, and inside France mounting no fewer than 1,500 concerts, radio shows and school lectures in performance and praise of "the French song".

All this is the brainchild of Mr Jacques Toubon, France's culture minister who last week criticised Eurotunnel for dubbing its new subterranean rail transporter "Le Shuttle" instead of "La Navette". The government, said Mr Toubon, "refuses to consider the English language as an inevitability".

But, in the view of France's eight national FM radio networks, a more serious form of Francofolly is about to be imposed on them in the form of a law that within two years will force them all to raise the French content of the music they broadcast to a minimum of 40 per cent – half of that quota must come from "new French talent".

The bill, approved by parliament in December, has just been declared in keeping with the French constitution, and is expected to be passed into law this week. But Mr Javier Pons, secretary general of the SRN radio stations association, said: "We remain opposed to this infringement of the freedom of expression, and we are taking legal advice to see if it is contrary to European law".

The current drive to protect French culture is thus for the first time creating internal controversy, compared to just the international row with the US caused by France's domestically popular and successful defence of its television quotas in the Gatt negotiations.

The reason is simple. The eight FM networks have all carved out separate niches for themselves, partly by varying the amount of French songs they play. This diversity has, up to now, been recognised by the CSA broadcasting authority which has in fact negotiated a range of French content quotas that go from 50 per cent for Radio Nostalgie, with its bent for accordion-playing and crooning, down to 15 per cent for the Fun and Skyrock stations.

"Some 80 new French records come out every month," explains Mr Andrew Manderstam, head of the RFM popular radio network. "If we all have to go for the same new records – because of the new talent requirement – we will end up pumping out the same music."

Listeners will lose out in having less choice, and if they switch off, so will the recording industry that has strongly backed the new law, he points out. Mr Pons himself is angry, not because his M40 station which specialises in new French songs cannot meet the law's requirement, but because if all other radio stations do so too, "we would have no point in existing".

There is clearly a market for chauvinists. Skyrock itself has just set up Chante France, a Paris radio station with the jingle: "After Vercingétorix, Jeanne d'Arc and Charles de Gaulle, you now have Chante France, with 100 per cent French songs". But even Chante France is anxious about keeping its raison d'être as a distinctively Gallic beacon in an increasingly un-French world.

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UK air engine power record challenges US

By Paul Betts in Seattle

The multi-million dollar race to build the most powerful commercial jet engine was intensified this weekend by the announcement that Rolls Royce, the UK aero-engine manufacturer, has set a world record by running its Trent 800 engine at 106,000 lbs of thrust.

By topping the record of 105,400 lbs, set last year by General Electric of the US with its new GE 90 engine, the UK company has challenged its bigger US rival in the fierce competition to develop very large engines to power the new generation of twin-engine wide-body airliners.

GE, which said its new engine had been designed to reach eventual thrusts of as much as 115,000 lbs, is likely to respond by running its new engine above Rolls Royce's latest level.

There is at present no market demand for engines of 100,000 lbs thrust or more but GE and Rolls Royce appear anxious to show airline customers that their new large commercial engine programmes can meet potential demand for bigger and heavier derivatives of the new Boeing 777 twin-engine wide-body airliner and super jumbo 600-800-seat aircraft now under study.

Pratt and Whitney, the other big US aero-engine maker, is working on a more powerful derivative of its PW4000 engine to equip this new generation of big airliners, but it has yet to run its engine at above 100,000 lbs of thrust.

The stakes are high because of the huge cost of developing these engines. GE – with its French, Japanese and Italian risk-sharing partners – is spending $1.2bn-$2bn (£800m-£1.3bn) on the GE 90 programme. Rolls Royce is investing about £400m to develop its Trent engines, derived from its RB211.

The competition is all the more fierce because there is in prospect only one market application for these new engines – the Boeing 777, due to be rolled out for the first time in April.

All three manufacturers are also in combat over a $400m engine order from Japan Airlines (JAL), which is expected to choose next month the engine for the 777s it has ordered. JAL has placed firm orders for 10 777s and options for 10 more.

The JAL deal would boost the winning maker because large orders continue to be rare in the depressed commercial aircraft market even while makers are having to invest heavily in developing new big engines.

But they expect demand for bigger engines to grow in the longer term. GE estimates a potential market of up to 2,000 wide-bodied aircraft between now and 2012.

Boeing has indicated it requires at this stage thrust ratings of no more than 76,000 lbs and 84,000 lbs for the first two versions of its 312-400 seater 777s, but the engine makers are anticipating demand for heavier versions of the aircraft as well as development of other new large aircraft.

"Aircraft always get heavier, and the heavier versions have traditionally sold best," said Mr Russ Sparks, GE 90 programme manager.

Rolls Royce announced this month its intention to certify its Trent 800 engine for the Boeing 777 at 90,000 lbs thrust, instead of the originally planned 84,000 lbs, to demonstrate the growth potential of the engine. GE said it could offer customers 92,000 lbs of thrust very quickly with the first engine it is to certify at 84,000 lbs thrust in November.

While flexing their technological muscle, the engine makers are also in a race to cut costs. In the absence of an immediate market recovery and amid fierce competition, Mr Brian Rowe, chairman of GE's aircraft engine division, said the priority remained to drive down costs.

GE, which has set the pace in industry restructuring, expects to drop another 2,000 people from its aircraft engine business this year. This will bring its worldwide aircraft engine workforce down to 22,000 by the end of the year, from 26,000 at the end of last year and 40,000 in 1986. Rolls Royce is also shedding jobs. It announced last year it was dropping 6,000 jobs between 1993 and 1994, to bring down its aero-engine workforce to about 24,000 by the end of this year.

Kohl heads west thinking of east

By Judy Dempsey and Ariane Genillard in Bonn

Mr Helmut Kohl, the German chancellor, begins today a two-day visit to Washington which, according to diplomats, will focus mainly on developments in Russia.

Germany and the US are increasingly aware that Nato's Partnership for Peace programme, designed to lead to more co-operation with the countries of eastern Europe, will also have to evolve into a new security structure.

German diplomats say that Washington and Bonn will now have to decide what form any additional aid to Russia should take after the resignation of key reformers from the Moscow government. They will also have to agree on what relationship they want with both the ousted reformers and the new cabinet.

However, there is concern in Germany that the rise of Mr Vladimir Zhirinovsky, leader of the Russian far-right Liberal Democratic party, is forcing European Union members and the US to focus too much attention on Russia at the expense of integrating eastern Europe at a faster pace.

German officials in Washington are likely to repeat that eastern European countries require crucial economic assistance via greater trade liberalisation. "It is not just the Partnership for Peace which must serve as a psychological anchor for eastern Europe, [so should] the economic sphere," a senior German diplomat said.


Kohl: Off to Washington

He added that greater liberalisation, from the EU and the US, for imports from eastern Europe, as well as greater support for creating cushions against the reforms in the region, were crucial for eastern Europe's stability.

At the recent Nato summit in Brussels, President Bill Clinton stressed the need for greater investment in eastern Europe. But German officials, despite resistance from Germany's agricultural and steel lobby, still insist this be coupled to greater market access.

Also, Mr Kohl will lobby Washington for the US business community to invest in both eastern and western Germany. Mr Clinton, however, is expected to remind Mr Kohl that breaking into the German market, especially eastern Germany, has proved difficult because of resistance from monopolistic structures and high labour unit costs.

Venezuela defence minister dropped

By Joseph Mann in Caracas

The decision by Venezuela's president-elect, Mr Rafael Caldera, to replace the minister of defence and the military high command caused an angry public response from the outgoing defence chief at the weekend, raising fears of a new military confrontation in the country.

The outgoing minister, Vice-Adm Rádames Muñoz León, said that he and the high command were "humiliated" by the president-elect. The admiral warned this would cause splits in the military.

He noted that the high command had consistently supported democracy but he expressed concern at what the new, "precarious government" would do. Mr Caldera won the presidency last month with only 30 per cent of the vote in a poll with a 40 per cent abstention rate.

Vice-Adm Muñoz said that he and the other six members of the military high command would formally resign today. The incoming government has announced that the new minister will be an army officer, Maj-Gen Rafael Montero Revette.

Mr Caldera, 78, who is to be inaugurated as president on Wednesday, seems to have decided to change the high command so as to give his government a fresh image. However, the move was seen as an unnecessary shock while Venezuela is in a period of political instability.

In 1992 there were two coup attempts. Last year a wave of bombings hit the capital and political upheaval attended the fall of President Carlos Andrés Pérez, who faces corruption charges.

Futures trading loss at Codelco may hit $200m

By David Pilling in Santiago

Codelco, Chile's state copper company, yesterday admitted that losses on futures trading over the past four months amounted to a "provisional" $200m (£134m), double the figure announced last week.

Mr Juan Pablo Dávila, Codelco's chief futures trader, is alleged to have committed a series of errors – without the knowledge of his superiors – which led to the unprecedented loss.

"Unfortunately, in the past two days, we have detected that there were also operations in gold and silver... in which we have made losses of more than $50m," said Mr Alejandro Noemi, Codelco president. Losses in copper futures were about $150m, he said.

Mr Noemi said internal controls – including ones that set a maximum loss of $1m in any single operation – had proved ineffective. "The failure of these controls permitted Mr Dávila to lead the company to this disaster," he said.

Mr Dávila, who has admitted through his lawyer to having conducted loss-making transactions, has been helping Codelco executives to quantify the extent of the problems. However, he has been unavailable for public comment.

Mr Noemi refused to answer questions as to how Mr Dávila, acting alone, could have extended lines of credit with brokers above normal limits. "I have to keep this secret," he said.

Mr Jorge Bande, acting vice-president for marketing, said: "We are investigating who requested the lines of credit, if they were indeed requested, and who approved them, if they were approved."

Referring to reports that Mr Dávila had committed Codelco to futures contracts involving 1.8m tonnes of copper, Mr Bande said: "This figure appears enormous, being nearly twice Codelco's [annual] production. But you have to understand that these operations involve entering and leaving the market several times a day. Therefore the operating volume could reach 1m tonnes or more."

About half of these contracts, maturity dates for which will come due throughout 1994 and 1995, remained open, he said.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF BEWINDVOERDERS ("ADMINISTRATORS")

TO ALL DEPOSITORS AND ALL OTHER CREDITORS OF

BANCO LATINO N.V.

PLEASE TAKE NOTICE that on January 19, 1994, a petition was filed on behalf of BANCO LATINO N.V., a corporation domiciled and with its place of business in Curacao, Netherlands Antilles, for the purposes of obtaining for the benefit of BANCO LATINO N.V. a provisional official moratorium. With application of article 206 of the Bankruptcy Act of 1931, the provisional official moratorium was granted on such date by the Court of First Instance of the Netherlands Antilles and Messrs. J.M. Hebly, magister juris, and E.A. Seferina, certified public accountant, have been appointed bewindvoerders ("administrators") of Banco Latino N.V. to conduct, jointly with debtor, the management of its business.

PLEASE TAKE FURTHER NOTICE that the Court of First Instance of the Netherlands Antilles has further ordered that the creditors of BANCO LATINO N.V. be summoned to appear at 8:00 in the morning of Friday, April 15, 1994, in the courtroom of said Court in the City of Willemstad in Curacao in order to be heard regarding the aforementioned petition before a decision is rendered on the final granting of the official moratorium applied for.

PLEASE TAKE FURTHER NOTICE that depositors and other persons who may have any claims against or otherwise be creditors of BANCO LATINO N.V. are requested to contact Messrs. J.M. Hebly and E.A. Seferina at BANCO LATINO N.V., P.O. Box No. 785, 61 de Ruyterkade, Willemstad, Curacao, Netherlands Antilles, with proof of such claim by Monday, April 4, 1994.

THE INSOLVENCY ACT 1986
MACDONALD'S SPORTSWORLD LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held in the Council Chamber, Insurance Hall, 20 Aldermanbury, London EC2V 7HY on Thursday 10 February 1994 at 10.00 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 12.00 hours noon on Wednesday 9 February 1994.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 8 and 9 February 1994 between the hours of 1000 and 1400 hours.

Dated this 20th day of January 1994

M. MACDONALD

Director

METRO CONSTRUCTION UK LIMITED (IN ADMINISTRATION)

Notice is hereby given that a meeting of the above named company's creditors has been summoned under Section 23 of the Insolvency Act 1986. The meeting is to be held at The Forte Crest Hotel, New Bridge Street, Newcastle upon Tyne NE1 2SDS at 10.30 am on 10 February 1994. If you wish to vote at the meeting a proxy form must be lodged at the offices of Coopers & Lybrand, Hadrian House, Higham Place, Newcastle upon Tyne no later than 12 noon on the day preceding the meeting, together with a statement of claim.

Dated 24 January 1994

John F Powell

Administrator

NEWS: INTERNATIONAL

Israeli health minister may resign

By Julian Ozanne in Jerusalem

Israel's crisis-prone coalition government came under renewed threat last night as Mr Haim Ramon, the health minister, said he was on the verge of resigning in a row over health insurance and the power of the Histadrut, the trade union federation.

Mr Ramon, a popular spokesman for the reform wing of the Labour party, said he had little alternative but to resign after the Labour convention rejected his health insurance bill to separate health insurance contributions from the Histadrut and its healthcare system, the Kupat Holim Clalit.

Mr Ramon's bill also called for all insurance contributions to be collected by the National Insurance Institute rather than the Kupat Holim Clalit. The convention voted for a compromise, maintaining the link between the trade union and the Kupat Holim, leaving the Kupat Holim with 50 per cent of the insurance dues.

In a bitter speech to Labour delegates Mr Ramon yesterday said the public wanted to separate politics from health, and the compromise bill would encourage people to leave the Labour health institutions.

The Histadrut, he charged, wanted to use health insurance contributions for political purposes.

Mr Ramon's bill was clearly intended to divorce the Histadrut from health and is generally considered to have majority support among the Israeli public, the Knesset (parliament) and perhaps even the cabinet, which is expected to meet in special session tomorrow to discuss the crisis. Mr Ramon said if the cabinet endorsed the compromise bill he would definitely resign.

Mr Yitzhak Rabin, prime minister, who reluctantly backed the compromise, warned the move was unpopular, might not have a majority in the Knesset and could even bring down the government. He warned, however, that the vote of the Labour convention was binding on all 44 Labour Knesset members.

The first reading of Mr Ramon's bill won approval in the Knesset by 54:1, and Mr Ramon said last night that if the government allowed a free vote his bill would win 110 of the 120 Knesset members.

Mr Binyamin Netanyahu, leader of the opposition Likud, said yesterday his party would vote against the compromise and in favour of Mr Ramon's bill.

Inside the coalition government Mr Amnon Rubinstein, minister of education and member of the 12-strong Meretz party, said he would vote against the compromise bill in the cabinet, and said the majority of the Knesset would back Mr Ramon.

Political observers said Mr Ramon, widely tipped as a leading candidate to succeed Mr Rabin as prime minister, had effectively launched his campaign for the top political post by siding with the public and the reform wing of the Labour party against the Histadrut and the old guard leadership.

Pact drives coalition into LDP's arms

Historic agreement will weaken Hosokawa, reports William Dawkins

In Japanese politics, great victories are usually achieved only after the losing side has been mollified.

So it was on Saturday when Mr Morihiro Hosokawa, the prime minister, succeeded in getting parliamentary agreement to reform the electoral system and curb corruption, and in the process avert the collapse of his government.

To achieve a deal, Mr Hosokawa had to bow to the will of the opposition Liberal Democratic party and accept a less radical version of his own plans. The original scheme, voted down in the upper house a week earlier, would have bulldozed the old structure of money politics. Now the outlook is for gradual change; the foundations will shift and crack.

In particular, Mr Hosokawa had to tone down his proposed curbs on political funding and accept an electoral system more favourable to big parties.

Snatched at the last minute from a hopeless deadlock between the seven-party coalition and the LDP, the accord is nevertheless remarkable.

It retains a central point of the original proposal; to scrap the present system of multi-seat constituencies in which several candidates from the same party compete for votes, the main feature in Japan's costly, corrupt poll campaigns.

Failure to achieve that crucial change brought down two of Mr Hosokawa's prime ministerial predecessors, since the plans were first mooted five years ago following the Recruit shares-for-favours scandal. Helped by strong public support, Mr Hosokawa has succeeded where far more experienced operators have failed.

Yet the first consequence of the agreement on reform will be to weaken the fragile coalition and drive it into the arms of the LDP. Mr Hosokawa recognised this over the weekend when he announced he would seek LDP co-operation to draw up an economic stimulus package.

Mr Hosokawa's compromise, as he freely admitted, has upset the left wing of the Social Democratic party, the coalition's largest and shakiest partner, which is committed to banning corporate donations.

Now that the government's main task of political reform is out of the way, the socialists will have even less in common with their coalition partners, beyond a taste for power. The socialists will also oppose moves to increase consumption tax and seek a permanent seat on the United Nations Security Council, both of which will probably be on the agenda in the coming year or so.

So it is no surprise that the 17 socialists who voted against the four bills threatened over the weekend to form the nucleus of an independent group. At the same time, some coalition members are doing their utmost to encourage LDP supporters of reform to join the government.

This means that Mr Hosokawa's vision of a two-party structure of the coalition and LDP looks less plausible. Some political observers think the trend is now shifting towards a large centre-right coalition – ironically resembling the LDP in its heyday – excluding anti-reformists on left and right. Others believe a fresh round of defections from the LDP and the Socialist party will lead to a two- or three-party system. Either way, they agree that Japan is set for a long period of coalition governments.

Another result of the agreement is that the change in political style symbolised by the end of 38 unbroken years of LDP rule in last July's elections is far from complete.

Last summer's political realignment brought a straight-talking prime minister, a refreshing contrast to his elliptical predecessors, plus a tendency for confrontation in parliament, instead of the tradition of forming consensuses in smoke-filled rooms.

The change in style seemed reinforced over the past few weeks, with dramatic parliamentary ballots on reform, first in favour in the lower house, and then against in the upper chamber. Television viewers have observed members of parliament emerging from angry committee meetings, red in the face and baffled. All this has made it look as if Japan is "shifting from a predictable non-voting democracy towards an unpredictable voting democracy", in the words of a senior Japanese securities company executive.

Yet in the end the deal was thrashed out in the traditional manner, in a late-night private meeting with Mr Hosokawa and Mr Yohei Kono, the LDP president. A week of bitter encounters between their subordinates in parliamentary committees had led to such complete deadlock that Mrs Takako Doi, the upper house speaker, had to call on the two leaders to negotiate personally.

Mr Hosokawa was keen to meet Mr Kono from the start, but the LDP leader was reluctant, unable to decide whether opponents or supporters of reform were winning an internal battle in his own party. The risk of defection by 70 LDP reformists finally persuaded Mr Kono that a deal was necessary.

When the two leaders' compromise was presented to the upper and lower houses on Saturday evening, members of parliament stood meekly, in the old style, to give their assent. Out of the 761 members of the upper and lower houses, a mere 42 – all socialists or LDP members – broke ranks.

Just how much difference the new rules will make to the practical conduct and outcome of general elections cannot be predicted, according to political observers. The general aim is to encourage politicians to seek votes on the quality of their policies, rather than their ability to fund local swimming pools or roads.

But traditions change slowly in Japan. The politicians campaigning under the new system, in a general election expected some time this year, will on the whole be the same people wearing new labels.

Prime Minister Morihiro Hosokawa (right) and Foreign Minister Tsutomu Hata congratulate one another on their victory Reuter

MAIN POINTS OF AGREEMENT

Main points of Japan's political reform agreement (government's original proposal in brackets)

- Lower house seats: 500 (500)
- Single-seat constituencies: 300 (274)
- Proportional representation seats: 200 (226)
- Proportional representation base: 11 regions (nation)
- Minimum votes a party must get to qualify for a proportional representation seat: 2 per cent (3 per cent)
- Donations to individual politicians: allowed through one fund-raising organisation per politician, up to Y500,000 per year per private sector corporate donor, to be phased out after five years (donations to be banned, except to parties)
- State subsidies for parties to make up for restrictions on corporate donations: Y30.9bn overall, subject to a ceiling of 40 per cent of party's income in previous year (Y30.9bn, no individual party limits)
- Door to door campaigning: Now prohibited (permitted from 8am to 8pm)
- Independent body to draw up new electoral boundaries.

Iran must 'curb oil revenue hopes'

The Iranian parliament yesterday told the government to scale down its hopes for oil revenue to $10.15bn in the year starting March 21, Reuter reports from Tehran.

The figure compares with a government estimate of $11.84bn next year, actual oil sales of about $14bn in the current year and a 1993-94 target of $17bn.

The government has warned deputies that reducing the estimate may force it to cut oil industry development.

The deputies' calculation was based on sales 10 per cent below present levels. Their price estimate was not spelled out but some said in debate that $12 a barrel was more likely than the government's hopes for $14.

"We set the ceiling of oil revenues at $10.15bn," Mr Kazem Mirvalad, secretary of the joint budget and planning, economy and commerce committees, said.

"Considering the situation of the world oil market, among various alternatives we chose the most realistic," he said.

"We reduced oil exports by 5 per cent of the present level. We allowed another 5 per cent reduction for the likelihood of resumption of Iraqi exports."

Mr Mirvalad was speaking on the second day of a debate on the budget for the Iranian year beginning March 21.

Deputies have also called for the government's estimate for next year's total state revenues to be cut to $17.6bn from $19.3bn, to take account of a fall in oil prices.

Mr Masoud Rowghani Zanjani, an adviser to President Akbar Hashemi Rafsanjani, yesterday told parliament that deputies would jeopardise oil development if they cut projected revenues in the new budget, the official news agency IRNA reported.

The government had drafted the budget so that "most of the country's expenditures could be earned through tax revenues".

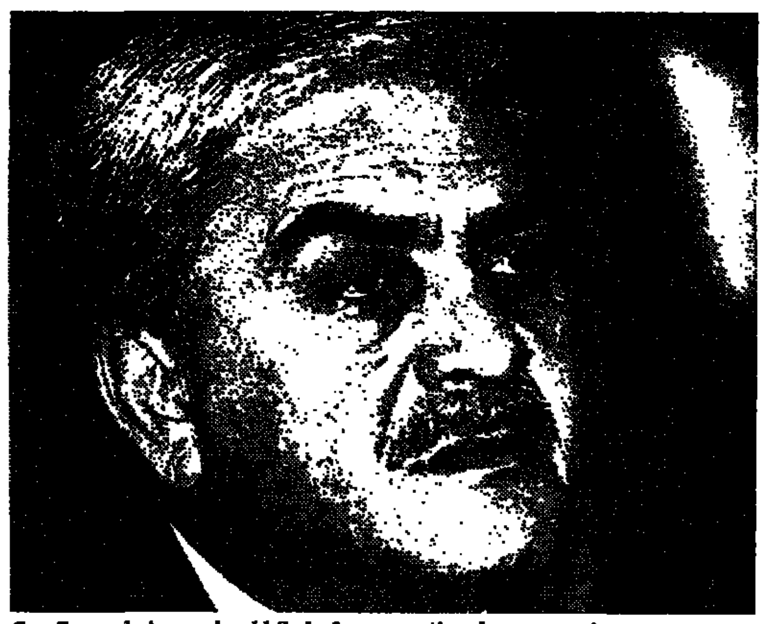
This year, parliament is debating the budget in two stages for the first time since the 1979 revolution. It will discuss revenues over three days. Two weeks later it will discuss expenditure.

Iran's Organisation of Petroleum Exporting Countries (Opec) production quota under the current accord which runs until March 31 is 3.6m barrels per day.

Iran earned $11.4bn from crude oil exports and $346m from exports of oil products in the past 10 months, Iranian television reported.

Iran's budget for the year ending March 1994 anticipated oil revenues of $17bn. World oil prices have fallen about 30 per cent since the budget was drawn up.

Algeria's hardline defence chief appointed head of state



Gen Zeroual: Army should 'help forge a national consensus' Associated Press

By Francis Ghilès

General Lamine Zeroual was yesterday appointed Algeria's new head of state by the High Security Council which has ruled the country since multi-party elections were suspended two years ago.

Born in 1941 in Batna, at the foot of the Aures mountains from where the war of independence was launched on November 1 1954, Gen Zeroual was not trained in the French army as was the case of many of his peers. He attended military schools in the former Soviet Union and France and is one of the most respected senior officers in the Algerian army.

He has commanded a number of military regions, notably the Tindouf on the sensitive south-west frontier with Morocco, the military academy at Cherchell and the land forces. He resigned from the latter post after the bloody riots of October 1988.

He was recalled from retirement last July to become minister of defence, a portfolio he will retain. In a rare interview last October, Gen Zeroual said the army would not "get involved in partisan infighting. Its purpose is to help forge a national consensus".

Such remarks suggest a willingness to open dialogue with the now banned Islamic Salvation Front (FIS) which was headed for victory before Algeria's first multi-party parliamentary elections were cancelled in January 1992.

The battle against the Islamic fundamentalists, which has cost more than 3,500 lives since the elections were scrapped, has been left to Gen Lamari. Given his credentials as a hardliner, Gen Zeroual could be better placed to seek some accommodation with FIS leaders to bring an end to the violence.

Algeria's fifth president since independence in 1962 faces two challenges. The first is to end the growing civil strife, either by talking to the FIS or by "eradicating" fundamentalists, as some of his peers would wish. The second is to reach agreement with the International Monetary Fund on reforms and to loosen the noose of foreign debt repayments which, in 1994, will absorb 10 per cent of the country's oil and gas export revenue.

- Iran's official radio yesterday said the appointment of Gen Zeroual as Algerian head of state would deepen the conflict with Islamic militants.

"This has placed the crisis-ridden country of Algeria on a path that is even more uncertain than before," Tehran Radio said soon after Gen Zeroual's appointment was announced.

"The ruling High State Council which cancelled parliamentary elections two years ago and took power illegally has now violated Algeria's constitution once again," said the radio.

Algeria last year broke off diplomatic relations with Iran, accusing it of supporting the Moslem fundamentalists. The radio said some military units had joined a newly formed Islamic Liberation Army in Algeria.

A senior official of Algeria's central bank yesterday said that delays over repayment of medium- and long-term loans were of a "technical" nature, writes Francis Ghilès. In no way did these delays, which the central bank was seeking to remedy, represent a change in the country's long-standing policy of servicing its foreign debt, he said. "Such a change of policy would make little sense at a time when we are close to agreeing a package of economic reforms with the International Monetary Fund." Algeria's hard currency reserves, exclusive of gold, currently stand at an estimated $1.5bn (£1bn).

INTERNATIONAL PRESS REVIEW

Spain

A general strike forces everyone to stand up and be counted. And so it was with the Spanish press as it reviewed last Thursday's call by the unions to bring the country to a standstill. The day after the strike, the press examined the same glass and judged whether it was half empty or half full.

A lot of people stood up and stayed away from work (many because they feared pickets) and a lot of other people went to work (many because they feared blacklists). **El Mundo** came out on the side of the unions and headlined "The majority backed the strike". **El País** did not and it put a laconic "The strike was not general" across its front page.

There were photographs to suit every mood. Spread across five of its six columns, El País used a shot of union militants standing on a railway track holding up a commuter train. El Mundo gave similar prominence to a picture of riot police in full gear protecting a shopping precinct.

La Vanguardia, the main Barcelona newspaper, highlighted a good example of Catalan consensus. Its front-page photograph had police, wearing everyday uniforms and not a baton or rubber bullet in sight, patiently persuading pickets to move along so that those who wanted to go to work, or wherever, could board the city's metro. La Vanguardia entitled its editorial comment: "A not very general strike".

The leader writers at El País and at La Vanguardia came out solidly in favour of what had triggered the strike in the first place: the government's decision to deregulate the *labour market, particularly its rigid hiring and firing rules.* In contrast, El Mundo's editorial urged the government to amend its economic policies in order to avert "a dangerous and widespread sense of frustration and impotence".

United States

Ever since it coruscated Bill Clinton for not sending his daughter to a state school, **New York Times** editorials have not shown a general *predisposition* to be kind to the president. Some ascribe this to the newspaper's *long-standing liberal principles*, others to a particular animus on the part of Mr Howell Raines, the Times's distinguished editorial page chief, who also happens to be a southerner.

It was therefore, perhaps, noteworthy that the newspaper's leader column took its time to comment on Mr Clinton's State of the Union message last week. And when it did, 48 hours after the event, it almost skipped over any comprehensive assessment, preferring instead to turn its critical guns on the omnibus crime bill already passed by the Senate. Just about all it could say in his favour was that "with a combination of smart legislating and public education, Mr Clinton can make it hard for the Republicans to reassert their claim on the crime-prevention franchise".

Another newspaper whose editorials, for different ideological reasons, do not like the president much, the right-wing **Wall Street Journal**, was horrified by his "diktat" on healthcare, threatening to veto any bill that does not include universal insurance coverage ("If anything like the Clinton plan ever passes, don't get sick"). But, in its own typically quirky, semi-sarcastic way, it confessed to being "impressed" by the president's holistic approach.

"What the Clinton strategy does have going for it is Bill Clinton. As the State of the Union rhetoric made clear, this is a new kind of presidency. Mr Clinton does not merely appeal to the electorate, he tries to *envelope* it . . . we have, it seems, entered the age of the co-dependency president." The phenomenon clearly worries the Journal, if only because of the off-chance that it might work.

Other comment ranged all over the journalistic lot. The **Washington Post** commended a "strong speech," the **San Francisco Examiner** found it "oddly passionless" though the **San Diego Union-Tribune** thought it "highly emotional", the **Baltimore Sun** rated the president "more experienced, more confident", the **St Louis Post-Dispatch** "lacking in initiative", while the **Los Angeles Times** complimented "a doubly daring venture" that was "far more than rhetoric".

Australia

The comings and goings of top personalities have dominated the Australian papers all week. For Alan Griffiths, the nation's upwardly mobile industry minister, it was a question of going. The **Melbourne Age** revealed at the weekend that his partner in a sandwich shop venture was alleging that party funds had been used in the ailing business, and although denying any impropriety, Mr Griffiths resigned.

The irony of having a promising ministerial career unpicked by a sandwich shop in Melbourne's Moonee Ponds suburb – "best known to most Australians as the home of Dame Edna Everage" – did not escape the **Sydney Morning Herald**. "It looks bad when the minister in charge of industry development in Australia cannot profitably run a sandwich shop," it commented. Next day, under the headline "A legend in its own lunchtime" the Herald profiled the eatery, explaining why gleeful competitors reckoned chicken and avocado sandwiches at A$2.70 (£1.20) were a non-runner.

But it was the arrival of Prince Charles, and the subsequent Australia Day lunge by David Kang, an anthropology student, which commanded most attention. The Australian press, not overfussed by the royal visit at the outset, cleared its front pages on Wednesday – although **The Australian** still gave more prominence to the prince's conciliatory remarks on the republic issue than it did to the Kang incident.

But much-applauded royal *sang-froid* didn't seem to win votes. By the weekend **The Sun-Herald** was citing a mid-week poll of 600 people in Sydney and Melbourne which showed that public support to retain the monarchy had dropped to around 41 per cent, from a previous high of 52 per cent. "Republic Rockets", it declaimed, adding – in letters one-fifth the size – "but tour boosts Prince Charles".

Brazil

The defeat inflicted on Brazil's finance minister, Mr Fernando Henrique Cardoso, last week, when Congress failed to pass his proposed corporate tax increase, gave the media a chance to mull over the outlook for October's presidential elections.

Mr Cardoso's troubles stemmed from Congress' inability to muster a quorum. He criticised the congressional habit of taking long weekends away from the capital Brasília. But the press wondered if his enemies had used the episode to damage Mr Cardoso's election chances.

The **Gazetta Mercantil**, the main business newspaper, talked of an accord between the centre-right parties to delay Mr Cardoso's economic restructuring plan, seen as the first step to his candidature. The paper said the plan still looked likely to go ahead, but the minister was running out of time.

The election front-runner, Mr Luís Inácio Lula da Silva, of the left-wing Workers' party, went campaigning in Amazonia and was pictured planting trees and wearing an Indian headdress. The weekly news magazine **Veja** concentrated on infighting within the Workers' party and said industry was confused over who was in charge.

Mr da Silva's near 20-point lead in the polls has started to worry politicians of every hue. It even prompted the right wing mayor of São Paulo, Mr Paulo Maluf, to say he might stand down from the race if it helped someone else beat Mr da Silva. But perhaps Mr Maluf, not reknowned for his modesty, is losing his touch. On Saturday he crashed his Porsche 911 in the rain. Luckily he was unharmed.

Contributions from Tom Burns in Madrid, Jurek Martin in Washington, Nikki Tait in Sydney and Angus Foster in São Paulo.

FINANCIAL TIMES MONDAY JANUARY 31 1994

Manufacturers fear rushed decision

EU in disarray over China trade row

By Andrew Hill in Brussels

Plans to end a debilitating row within the European Union over trade with China are in disarray, with only seven days to go until ministers are supposed to settle the issue.

EU diplomats will meet in Brussels twice this week to try to decide whether to recommend abolition or harmonisation of national quotas on certain Chinese imports to the EU, including bicycles, kitchenware, training shoes and toys.

US and European manufacturers with plants in China are afraid that after more than a year of indecision, foreign and trade ministers may now rush into an agreement on a series of EU-wide quotas at their meeting next Monday.

Makers of expensive training shoes, such as Reebok and Nike, are particularly worried about proposals for restrictive quotas on their Chinese-made products. There is also concern about the proposed limit on toys, which the European manufacturers say is unnecessary, and the planned quota for Chinese bicycles, which are already subject to anti-dumping duties.

At the same time as approving the Gatt world trade accord on December 15, EU foreign ministers agreed to strengthen the Union's trade defence mechanisms, making it easier to act against dumping and subsidised trade.

In principle, that agreement was supposed to lead to an accord at next week's meeting on the abolition or harmonisation of thousands of national quotas on imports from "state trading countries", the most important of which is China.

Most of those national quotas will now disappear, but member states are locked into a familiar row between northern "liberals" – Germany, the UK, Denmark and the Netherlands – and a southern camp, led by France, about which of the few remaining quotas to harmonise at EU level. They are also unable to decide how strict the quotas should be. Germany is particularly concerned about the situation, because it abolished all its remaining national quotas at the beginning of last year.

"The December 15 compromise was the kind of political deal that you make by providing some nice wording, but with all due respect to the Belgian presidency it wasn't a compromise in the sense of bringing minds together," said one national official last week.

National quotas can no longer be enforced, because last year's abolition of controls on goods at internal EU borders makes it impossible to check on products leaving or entering member states.

Beijing extends freeze on new capital projects

By Tony Walker in Beijing

China has extended its freeze on new capital spending projects until the end of this year as part of efforts to combat inflation and ensure key existing infrastructure projects are adequately funded.

The state council, China's cabinet, announced at the weekend that "no new fixed-asset investment projects" would be approved, with the aim of keeping a "tight rein on the country's fixed-asset investments in 1994".

The decision effectively extends a ban on borrowing for new projects instituted last July under a 16-point programme designed to stabilise the rapid growth of the economy. The leadership has promised to lower growth to 9 per cent this year compared with 12.8 per cent last year, but it faces a delicate task.

A western economist in Beijing said the state council's decision did not amount to an outright ban on new projects. Those that were self-funded or where funds were secured abroad would be allowed to proceed.

The council statement made it clear that a target of the investment freeze was property development, including industrial zones. Last year's explosion of speculative investment in both was blamed for China's overheating problems. Fixed asset investment grew by 47 per cent in 1993 compared with 1992. This year's target is for 14 per cent growth to Yn131bn (£10bn) compared with last year's figure of Yn115bn.

The state council is also calling for closer supervision of foreign investment to "encourage investment in domestic infrastructure and basic industry".

Wave of executions in anti-crime campaign

By Tony Walker

Dozens of alleged criminals have been put to death across China in what appears to be an attempt by the judicial authorities to clear their books before the Lunar New Year holiday, traditionally an occasion for family reunions.

Reports over the past few days from Beijing, Guangzhou, Shanghai and elsewhere indicate a widespread campaign is under way to remind the populace of the severe penalties for a wide range of crimes.

According to a recent report by an Australian human rights delegation, at least 55 offences carry the death penalty. The delegation expressed concern that categories had recently been extended to include "economic crimes" such as embezzlement and the production of counterfeit goods.

International human rights groups regularly question China's predilection for capital punishment as a means of dealing with crime.

A report published last year by a mission to China led by Lord Geoffrey Howe, Britain's former foreign secretary, expressed concern about "reports of execution within public view, of instances of convicted persons being paraded in public prior to execution, and of the use of organs from executed for spare part surgery".

The Howe mission urged the Chinese to reduce the number of capital offences, to apply the death penalty more sparingly and to introduce a code of conduct for execution that would lessen the humiliation suffered by the condemned.

Hundreds of officials, most of them relatively junior, have been executed since the anti-corruption campaign began last July. No official statistics are available for the number of executions in China last year, but the figure almost certainly exceeds that in 1992.

According to Amnesty International the number of executions annually has risen sharply since 1989, the year of the Tiananmen Square massacre. In 1989, 370 death sentences were imposed of which about two-thirds were carried out. By 1992 the figure had risen to 1,891 imposed and at least 1,079 carried out.

NEWS IN BRIEF

N Korea attacks US missile plans

North Korea yesterday called US plans to bolster South Korea's missile defences "warlike", and said they should be scrapped if Washington hoped to reach agreement on inspection of the North's nuclear programme, AP reports from Tokyo.

"The US and the South Korean authorities will have to take full responsibility for the consequences to be entailed by their military steps," the official Workers (Communist) party newspaper said. It did not elaborate.

Last week the US disclosed plans to send Patriot missile batteries to South Korea to boost defences against a possible North Korean rocket attack.

Gains for Taiwan opposition

Taiwan's governing Nationalist party has won local government elections but the main opposition Democratic Progressive party (DPP) and independent candidates made strong gains, Reuter reports from Taipei.

The Nationalists won 214 of 309 village and town mayoral posts at stake in Saturday's polls, which were marred by allegations of vote-buying and campaign violence. They won 260 mayoral posts in the last elections, in 1990. The DPP more than tripled its number of mayoral seats to 21 from six. The polls will not alter the balance of power in central government.

Malaysian dam project defended

Malaysia has awarded a $5.6bn (£3.73bn) dam project in Sarawak state to a company headed by Mr Ting Pek Khiing, a local tycoon, despite environmentalists' warnings of ecological disaster, Reuter reports from Kuala Lumpur.

Prime Minister Mahathir Mohamad, launching the project, defended the government's decision and said it was vital for the country's energy needs. The project would generate 2,400MW of electricity a year, mostly for peninsular Malaysia, Mr Ting said.

Delhi drops airline restraints

India has cleared the way for its state-owned domestic and international airlines to become publicly held companies, Reuter reports from New Delhi.

According to newspaper reports, the government has issued a special ordinance scrapping a 1953 parliamentary act that nationalised air services in the country and prohibited private airlines.

Seoul fails to cool share deals

By John Burton in Seoul

The Seoul bourse has surged to a four-year high, in spite of government efforts to cool the market. The general share index rose 2 per cent to 946 on Saturday, a day after the government announced new share issues would be increased to soak up liquidity and that financial institutions would be encouraged to sell stock.

The government wants to curb stock speculation, fearing it could divert funds from the industrial investment needed to boost economic growth this year.

The finance ministry said it would raise the amount of permitted new share issues this year by Won3,200bn to Won10,200bn (£8.4bn). This would include an initial share issue by Korea Exchange Bank and a new rights offering by the Commercial Bank of Korea. It also urged domestic institutional investors to sell Won3,000bn worth of shares.

Funds are flooding into the exchange because of low interest rates depressing the bond market and recent government efforts to stamp out speculation in the property and unofficial loan markets. Korean companies are also expected to report higher earnings.

The 7.8 per cent rise in the share index last week also reflected the inclusion on the Seoul exchange of Samsung Heavy Industries, a big shipbuilder.

Cost-saving option could cause big power cut

By Michael Smith

Up to a third of England and Wales could be affected in a single power cut under an option being considered by the electricity industry to relax transmission security standards and save customers £30m a year.

While the National Grid, transmission system operator, stresses in a confidential document that the probability of such a failure is extremely low, there is growing concern in the sector about the effects of taking up the idea. Under existing security standards a power cut involving anything more than an area of a city is considered virtually impossible. Executives fear the public reaction to a power cut *covering large areas of the country* would be extremely unfavourable, even if the occurence was rare.

The National Grid drew up the option after Offer, the industry regulator, asked for a review of transmission security standards 15 months ago. It appears in the Grid's interim report, which has been distributed within the industry and to major customers but not the general public. The final document is to due to be sent to Offer in March.

National Grid says it neither supports nor opposes the option, and says that one possibility is a gradual "partial approach" implementation over several years.

It notes in the report, however, that several regional power distributors and users say they do not wish to see a reduction in the reliability of supplies from the Grid without significant reductions in cost. Although £30m appears a large saving, distributing it throughout the England customer base would result in a saving of less than £1 a customer a year. Some regional distributors doubt that the savings would reach £30m. This is because National Power and PowerGen, the generators, would lose out financially if the option was introduced. The regional distributors fear the generators could make good their losses by raising prices.

Offer ordered the Grid report because it was concerned that the transmission system is protected against the consequences of faults regardless of whether or how often they occur. The high standards often mean that an area is supplied from two routes even when one would be enough provided it works normally.

The Grid's report concludes that it would be possible to reformulate security standards using cost benefit techniques and probability. This could enable capital investment to be cut by 10 per cent. In addition, operation security could be relaxed by operating many parts of the system to single circuit rather than double circuit in *fair weather conditions, which are* experienced 80 per cent of the time. Although this could result in savings of £30m in 1994-95, the report says "there is a risk of widespread loss of supply [up to a third of the total system] for certain double circuit faults.

"However, the probability of such trips in fair weather is very low."

The existing Grid system is 99.999 per cent reliable. The "cost benefits" option would double Grid unreliability but the report cautions this would have a less dramatic effect on customers since blackouts are more frequently caused by problems other than the Grid system.

Ministers plan tactical retreats

By Roland Rudd

Senior officials in Westminster and *Whitehall said yesterday* that the government was preparing a number of tactical retreats rather than risk defeat *by its own party*.

Plans by Mr John Patten, education secretary, to end the student union closed shop and give the government a greater say in deciding how unions spend their funds, were described by one government whip as a "dead duck".

He predicted that the education bill would be altered to win over Tory opponents in the Lords and the Commons.

Mr Robert Jackson, a former education minister, said: "John Patten has to recognise that there *is strong* opposition to his plans from Conservatives who stand by the traditional Conservative view which rejects the analysis that student unions are the same as *trade unions. The minister's* impulse to take power, in effect overturning the status of universities, is quite unacceptable."

Mr Patten's retreat comes as Mr Michael Howard, the home secretary, prepares to back down over his plans to overhaul the structure of the police in the hope of defusing opposition in the Lords.

Whitehall officials believe that Mr Howard is ready to drop the proposal that the home secretary appoint the chairman of each police authority. He yesterday made an impassioned plea to troubled Tories to "keep cool heads, calm nerves and a sense of perspective – and then we can see things going our way".

But a further government retreat may be necessary as it emerged that many Conservative MPs are opposed to government plans to replace the dual structure of English local government by a single tier of all-purpose councils.

Sir Norman Fowler, Conservative party chairman, denied that the party was failing to deliver strong government.

"In terms of performance, the government is delivering. *What I also think you have got* is a strong prime minister, and a prime minister who is leading, and will lead us through.

"The party stands behind the government and it stands behind John Major, and what you will see over the coming months is the recovery of the economy and the recovery of the political position and the political fortunes of the government".

Lord Archer, deputy party chairman, called on Tories at all levels to "stop squabbling among themselves".

Eurofighter maiden flight set for April

By David White,
Defence Correspondent

Industrial partners in the £32bn Eurofighter project are confident that the four-nation aircraft will make its maiden flight by the end of April – more than two years later than originally planned.

The Munich-based Eurofighter consortium said no date had been fixed for the flight, which was postponed last autumn because of difficulties with the aircraft's computerised flight-control system. But the aircraft was in its "last test phase".

The first prototype of the twin-engine Eurofighter 2000, being developed jointly by Britain, Germany, Italy and Spain, is due to undertake taxiing trials at Manching in Germany within the next few weeks.

An initial flight is expected to be carried out privately at Manching in March or April before the Eurofighter appears in public.

Mr Jonathan Aitken, defence procurement minister, told the Commons last week the fighter might be on display at the Farnborough air show in September.

Although the industry consortium has played down the importance of the first flight in the overall development programme, senior managers are extremely anxious to avoid further delay, fearing it could undermine political support for the Eurofighter and jeopardise production prospects.

British Aerospace, the principal UK partner, has meanwhile agreed *to take joint* responsibility for the flight-control system with Deutsche Aerospace, which has up to now headed this part of the project.

The new arrangement is aimed at making the two *companies directly answerable* to the partner governments, and putting pressure on them and their sub-contractors – notably GEC-Marconi, which is supplying the crucial software – to meet their contract dates.

The partners decided to hold a further series of tests on the system after crashes of both the Swedish Gripen and the US F-22, which also depend on sophisticated flight-control technology.

The Eurofighter consortium is still locked in negotiations with government representatives over a revised contract price for the roughly £10bn development programme.

This follows changes to *the programme agreed in* late 1992 and designed to reduce the eventual production cost.

The companies are seeking price increases to reflect the longer development period now planned. On the other hand, the governments hold the consortium responsible for delays caused by technical hitches.

The UK Ministry of Defence would have to seek Treasury approval for any increase in Britain's share of the cost.

Eurofighter project partners are confident that the aircraft will turn this artist's impression into reality before the end of April

Britain in brief

Fear over redundancy falls sharply

Fears of redundancy and becoming unemployed fell sharply in January, the latest monthly survey from MORI, commissioned by the Financial Times and Industrial Relations Services, shows today.

The proportion of workers who said they were "very" or "fairly" concerned about the prospect of losing their job during the next 12 months fell 7 percentage points to 44 per *cent from 51 per cent in* December. This represents the largest monthly fall in employee concern over job security since the FT/MORI survey first began last April.

It suggests there is growing optimism among those in work about the labour market outlook 11 months after Britain's official, seasonally adjusted registered unemployment total began to decline.

Mrs Lilian Bennett, chief executive of employment agency Manpower UK, said yesterday: "Our own findings suggest a marked improvement in employee self-confidence about the future."

Food retailers face challenge

Discounters made up the fastest-growing sector of the retail food trade last year with a 22 per cent rise in floorspace, Verdict, the retail research group, *says today in its annual report* on food discounting.

Verdict's report was one of two published today which predict that UK retailers face the twin threats of a discount revolution and an invasion by US retailers.

Verdict says discounters – low-cost, low-margin operators which aim to offer the lowest possible prices – generated sales of £4.8bn in 1993, giving them 9.8 per cent of the grocery market – up from 8.8 per cent the year before. The report forecasts that by 1997, food discounters will have turnover of £8.4bn, and a 14.2 per cent share.

Corporate Intelligence, the retail research group, says the UK and continental Europe face an invasion of a "new wave" of US retailers, many of them price-led operators. These include Kmart, which has already opened in the Czech Republic, and Wal-Mart, the world's largest retailer.

Corporate Intelligence says other companies known to be interested or believed to be coming to Europe soon are fashion retailers Liz Claiborne, Ann Talyor, Leslie Fay and The Limited, DIY chain Home Depot and general discounter Wal-Mart. The report says many are likely to use the UK as a launchpad to expand into the rest of Europe.

Farmers' income rises by 60%

British farmers saw their income rise by about £1.1bn last year, an increase of 60 per cent on 1992, according to government figures due to be published by the government today.

The rise in farm receipts was almost wholly due to the effects of the devaluation of sterling in September 1992 which increased the value of European Union agricultural payments for UK farmers. Overall output from the industry slipped by 2 per cent during the year.

Farmers producing milk, arable crops, beef and sheep all benefited from the devaluation of the pound. Cereal growers gained from higher subsidies paid as part of the EU's farm reform programme.

Budgets 'blow to growth'

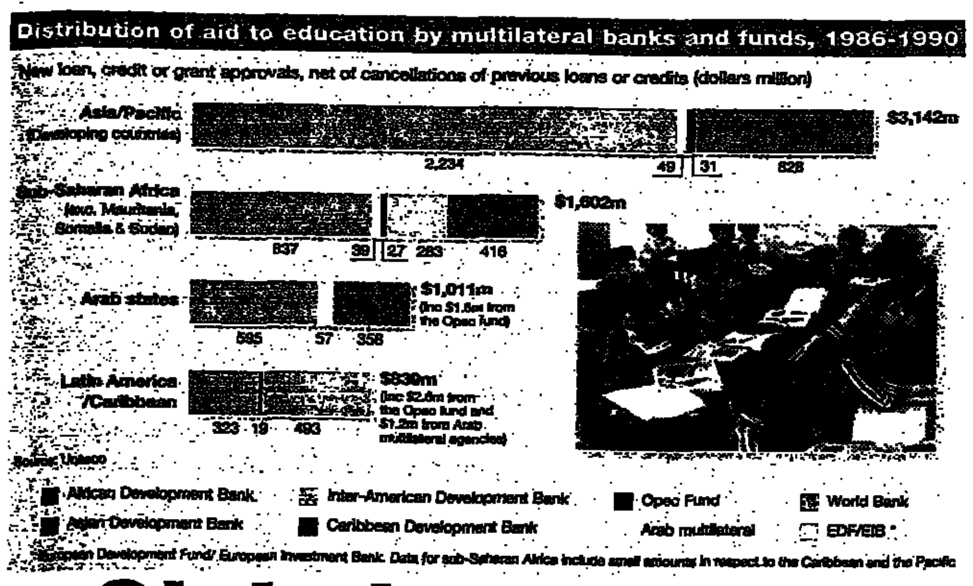
The two Budgets of 1993 will *reduce UK economic growth* by between 0.5 per cent and 1 per cent a year for the next three years, says a report by accountants and management consultants Coopers & Lybrand.

The report says that the combined effect of the two Budgets will be a fiscal squeeze of about 1.6 per cent of gross domestic product in 1994-95, rising to about 3 per cent in 1996-97. This is a greater impact than Sir Geoffrey Howe's 1981 Budget and represents "the most severe fiscal squeeze in the UK since 1945".

FINANCIAL TIMES SURVEY

THE WORLD'S YOUNG PEOPLE

Monday January 31 1994



Global pressures are getting worse

Emma Tucker examines the prospects for young people in a world where inequality of opportunity is all too common

It is one of the greatest achievements of medical science that of the millions of babies born this year, more than ever before will live to the age of five. Beyond that, the advances of modern society become harder to detect.

Whether coping with childhood in a Bombay slum or a Chicago ghetto, the world's youth faces growing pressures. Unstable communities, inadequate education opportunities, a lack of adult role models and slim prospects for employment are hallmarks not just of the developing world, but of the industrialised world too. The worries are likely to get worse.

According to United Nations reports, more than 6bn people will inhabit the earth by the year 2000. About half of them will be under the age of 20.

The implications are staggering. The aspirations of young people, from rich and poor countries alike, will put untold strain on global resources. Yet the world's policy makers and business leaders have not addressed the problem of how they will cope with, let alone fulfil, these hopes.

Already the pressures show. In low-income countries, too many children still lack basic education and health care. The United Nations Children's Fund (Unicef) has calculated that while more than 90 per cent of the developing world's children start school, half, in many countries, drop out in the first few years. As a result there are now an estimated 100m children aged 6-11 *not* in school. Two-thirds are girls.

Mexico's economic reforms are applauded, but 1m new jobs will have to be created every year to match the rate at which young people are entering the work force, according to the University of California Centre for US Mexican Studies.

Child labour, and the serious exploitation of working children, remain widespread as families struggle for survival under the pressures of grinding poverty and growing consumerism. Rural to urban migration adds to the social problems, placing families under enormous stress as they put up with overcrowding, unemployment and poor living conditions.

And growing poverty in urban areas has contributed to a dramatic increase in the number of street children – as many as 100m, according to some estimates.

The difficulties facing youth are not confined to the poorest countries. Even societies with the highest levels of income are failing to provide for the needs of all their young people.

Low academic achievement, school drop-outs, alcohol and drug abuse, teenage pregnancy, vandalism and violence are on the increase in the industrialised world. According to Unicef, the US – with 20 per cent of its children living below the national poverty line – has more than double the child poverty rate of any other industrialised country.

In the UK, according to a study from Fordham University's Institute for Innovation in Social Policy, children are worse off today than they were in 1970.

Rising divorce rates and the increase in single parent families, together with the failure of governments to alleviate poverty through social services, have also resulted in children increasingly being deprived of parental time and attention.

The consequences of growing stresses in family life are beginning to show up in some disturbing statistics. Many nations face a steady rise in teenage violence and suicide, drug abuse and – harder to quantify – disaffection, demoralisation and disillusionment.

"We have tended to avoid this issue of values, feeling that it is a sensitive area, best left to parents and schools," says Mr James Himes, director of the International Child Development Centre, for Unicef. "But schools do not do a good job of teaching values, and families, particularly low income families, have such trouble holding together just to survive that they do not have time to worry about the ethical dimensions of child raising."

The economic and business implications of neglecting these problems speak for themselves.

Few governments have addressed the problem of how their economies can create enough new jobs to absorb the rapid growth in the number of young job seekers. Furthermore, there is an enormous price – social and economic – associated with the increasing number of people born in poverty – and likely to remain in poverty with little education and few job related skills.

For business, this promises to be a long term problem. Employers rely on youth to provide a good, dependable workforce. They also represent companies' future consumers.

"It is enlightened self-interest for us to invest in young people," says Mr Joe Stewart, the senior vice president of Kellogg. "We are investing in them as future human beings, but also as future strong consumers. How better to operate than with a strong market around you?"

The long-term benefits of investment in youth for governments and the private sector are clear. For example, the East Asian countries that have enjoyed such breathtaking growth over the last decade invested heavily in human as well as physical capital.

A report from the World Bank shows that in eight east Asian "superstar" countries, a bigger share of education spending was allocated to basic primary and secondary education – vital for a skilled workforce – than to universities.

For example, in the mid-1980s, Indonesia, South Korea and Thailand spent more than 80 per cent of their respective education budgets on basic education.

Compare this against the primary and secondary education spending figures in Argentina and Venezuela, with respective allocations of less than 50 per cent.

Continued on page III

According to United Nations forecasts, the population of the world is likely to double – to more than 10bn people – by the middle of the next century.

This will be one of the biggest forces shaping living standards of future generations. Although growth will take place almost entirely in developing countries, few countries will be able to insulate themselves from the effects.

Bronwen Maddox looks at world population projections

Reality remains taboo

However, population growth was a taboo topic at the Rio Earth Summit in 1992, although it is the source of increasing pressure on natural resources and the environment in many regions. Governments felt that the sensitivity of the issue was so great – provoking debates about differing cultural and religious values – that it would frustrate attempts to reach agreement on other fronts.

Even at the time of the summit the omission appeared a serious weakness, as Prince Charles pointed out. In retrospect, that is clearly true. Although countries put their names to Rio's two treaties on climate change and bio-diversity (the variety of the world's wildlife), many have found difficulty in drawing up realistic plans for curbing environmental damage.

The omission has also allowed the notion of "sustainable development" to remain confused. That principle, which governments attending Rio pledged to observe, does not define whether resources are to be preserved at a certain level for each person or simply for each country. Countries with rapidly growing populations will find it almost impossible to preserve resources – however defined – on a per capita basis.

But although the projected increase in the world's population is formidably large, it is much less than many people feared two decades ago.

Prominent among 1970s doomsters, the Club of Rome (an international group of industrialists, scientists, economists and statesmen) predicted that food, energy and raw materials would run out. Since then, food production has increased while population has slowed. The drop in the birth rate in many countries now looks like one of the development successes of the past two decades. Many Asian and Latin American countries have had particular success in bringing down the rate of population growth.

Many Asian and Latin American countries have had particular success in bringing down the rate of population growth

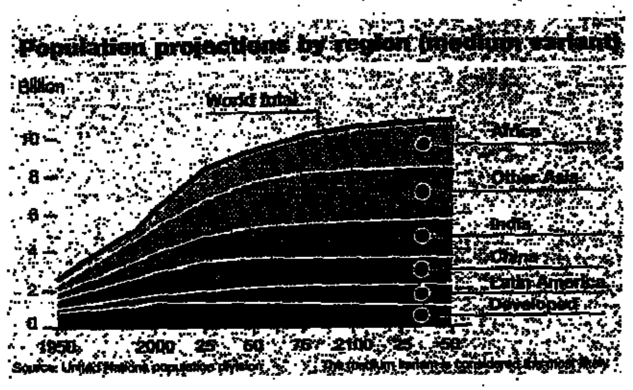
India, for example, now has a fertility rate – the average number of children per woman implied by the current birth rate – of about four. That figure shows a fall of about one third over the past two decades – although still higher than the figure of just over two children per woman which would maintain a static population.

However, across much of sub-Saharan Africa, fertility rates have been running at more than six children per woman. Demographers studying why some countries have had more success than others point out that there is no straightforward formula to apply. Longstanding assumptions that as a country develops, its birth rate falls, fail to explain some of the patterns now observed.

Sri Lanka, Thailand, Bulgaria and Kerala in India have all shown sharp falls in family size despite relatively low prosperity, while the Gulf states have maintained fertility rates of more than three children per woman during a period of fast economic growth. Instead, demographers are having to put together a more complex picture, in which access to contraception, the level of female education and the availability of jobs for women all play a part.

There has also been international concern about the measures sometimes employed to restrain birth rates, particularly in China, which has fiercely applied limits on family size. The scale of China's problem is undeniable: China now has nearly a quarter of the world's population on about 7 per cent of the world's arable land.

According to government figures this year, the fertility rate has fallen to about 1.9 from 2.25 children per woman in 1990. That is nearly as low as western European and US rates, and less than half that of India. But the measures used by the Chinese government – including limiting urban families to one child – have provoked criticism that the Chinese government is infringing human rights.



Despite those qualifications, the falls in many countries' birth rates have outstripped expectations. But demographers and environmentalists warn against complacency, even if the doom-mongers have not been proved right. They point out that even at current rates, population growth will still put severe pressures on natural resources and on the quality of the environment.

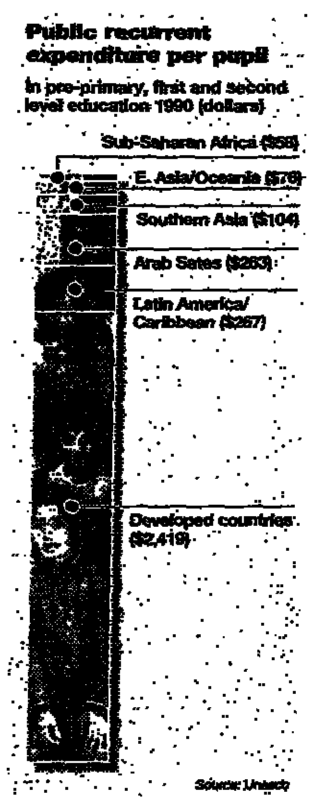
They also argue that the ageing of the populations in industrialised countries and the steady fall in the average age of the population in developing countries will bring further pressures. Children under 15 years old currently outnumber the elderly by one third in Europe and North America. But pensioners will soon outnumber children in Europe and North America for the first time, the United Nations Population Fund (UNFPA) has said.

Mr David Coleman, a demographer at Oxford University, says that environmental degradation, pressure on resources and the search for jobs will cause industrialised countries to be confronted with an unprecedented influx of immigrants from poorer countries. Mrs Nafis Sadik, director of UNFPA, has also warned of these pressures – even taking account only those who have already been born. More than 2m immigrants are believed to have entered both Europe and North America over the past two years alone. So far, Poland, Hungary and Czechoslovakia have taken the brunt of Russians, gypsies and Romanians from the east, but political chaos in Russia could intensify westward migration.

Governments and international agencies for aid, development and the environment may still be coy about addressing issues of curbing population growth. But they will increasingly find the subject unavoidable. Worries about consumption of resources and degradation of the environment are well-established. But migration may be the factor which finally makes countries worldwide – industrialised as well as developing – face these questions.

Education shows only patchy improvement, writes **John Authers**

'Knowledge gap' is still widening



The world's young people, in the 1990s, live in the shadow of a "knowledge gap".

While it continues to widen, the chances of the young generation in the developing world being able to help their nations achieve lasting economic progress remain slight.

The second report on world education, published at the end of last year by Unesco (the United Nations Educational, Scientific and Cultural Organisation), provides stark evidence of the gulf in educational provision between richer and poorer nations.

While many nations are now making real progress, goaded by the improvements made by the Pacific Rim countries on the back of strong national training systems, other areas – particularly sub-Saharan Africa – are being left further behind.

The nine most populous developing nations – China, India, Indonesia, Nigeria, Brazil, Pakistan, Bangladesh, Mexico and Egypt – last December demonstrated that they thought increased educational provision was the key to economic progress, and stemming population growth, by pledging to provide their children with universal education "by the year 2000 or at the earliest possible moment".

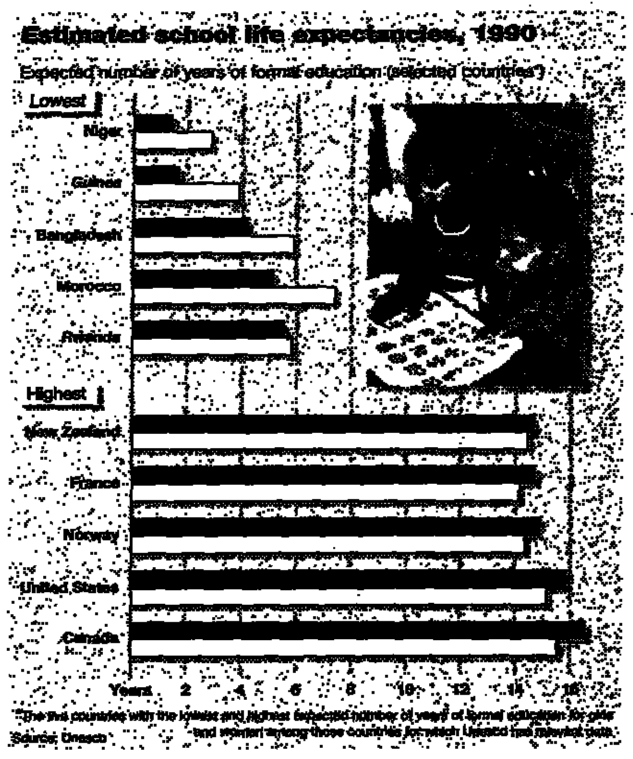
Within the poorer nations, research reveals another "gap". In the developing world, girls are still thought unlikely to contribute economically, and receive far less education than boys. In many cases their families do not think it is worth it, thwarting any attempt by the state to improve girls' chances in life.

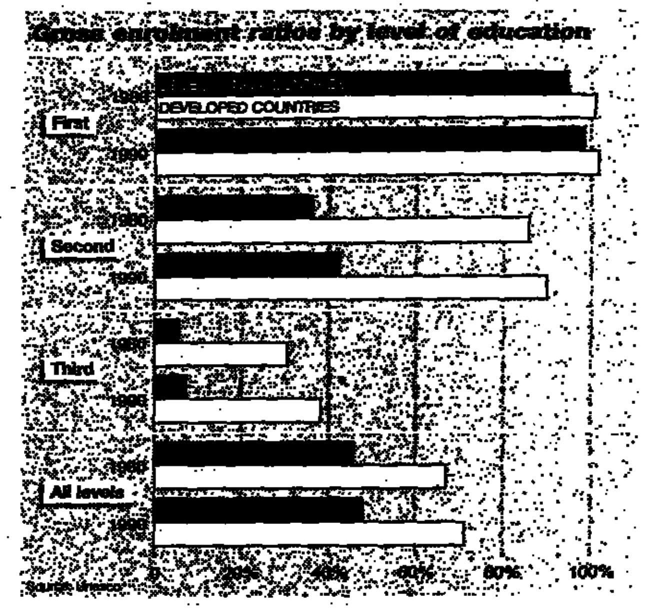
Unesco's figures on the school life expectancy – how long a child can expect to stay in formal education – in different countries make depressing reading. Africa south of the Sahara and southern Asia suffer the greatest problems.

In the Saharan nation of Niger, girls can expect to stay 1.4 years in school, while boys do scarcely better with 2.8. In Guinea, girls can only expect 1.6 years in school, while in populous Bangladesh, boys receive 5.8 years at school, compared with 4.2 for girls.

In both Niger and Guinea, textbooks are available for less than 30 per cent of primary school children, and the school year is short.

Comparative figures show that Canadian girls can expect 16.5 years of formal education (a year more than their brothers). Both boys and girls devote more than 15 years to formal study in the US.





However, some parts of the developing world now provide as much education as member countries of the Organisation for Economic Co-operation and Development.

For example, South Korea educates its children for an average of 13.3 years – more than Australia, level with Japan and Sweden, and only slightly behind the UK. Several Latin American nations now have an educational life expectancy of more than a decade.

Unsurprisingly, low educational provision has led to illiteracy in later life, and according to Unesco, most adults in southern Asia and sub-Saharan Africa are illiterate. The total number of illiterate adults is still increasing in sub-Saharan Africa, the Arab states, and in southern Asia.

However, the overall "literacy gap" appears to be declining, as better-educated children in other parts of the developing world reach adulthood, and there is some confidence that much of the current disparity – particularly in sub-Saharan Africa – can be explained by the wide range of local languages.

In Ethiopia, for example, the education ministry has introduced the use of four nationality languages – Oromigna, Tigrigna, Sidamigna and Wolaitigna – in primary schools, rather than the official language of Amharic.

The reform should improve the standards of general education, because children will be instructed in the language they use at home, but it may be that overall literacy statistics will prove harder to compute.

While problems with basic literacy and other skills may prevent emerging generations from providing the "engine room" of increased economic output which developing countries need from them, disparities in higher education may in the short term be even more damaging.

Lack of a developed higher education system critically damages competitiveness, as it becomes impossible for a nation's industrial and research and development communities to keep abreast with developments elsewhere.

Most Latin American and Asian countries now have university enrolment levels which conform broadly with university entries in the OECD nations – Unesco reports show that sub-Saharan Africa is now alone in suffering from a "higher education gap" by comparison with the rest of the world.

Foreign exchange programmes account for a smaller proportion of students than they did 10 years ago, and most aid for developing countries now comes through direct aid from banks and funds. Nearly half of this goes to the Pacific Rim countries, whose education systems have already been extensively reformed.

As this aid is in the form of loans which will have to be repaid by the countries which receive it, and much money has been spent on physical infrastructure and buildings, which create their own recurrent costs, it seems, still, that nobody has a clear grasp of how the "gap" in higher education can be closed.

Money spent on children's health is not going where it is most needed

The picture still looks grim

The world spends $2,000bn on health care a year; the rate at which health has improved since 1950 is unmatched in history. So says the World Bank's recent report, Investing in Health, published last summer.

But the Bank also points out that the impressive sums are deceptive. For the money is "either spent on the wrong things, or wasted." There should be more "barefoot medicine" and a wider campaign against poverty: for example, better education for girls and young women, which would result in better child health and smaller families.

Nevertheless, the report is at pains to say that big spending on health – and it argues that more is needed – does not simply result in more babies and all the dire consequences of over-population.

It results in lower child mortality rates and fertility rates (after a lag of a couple of decades), as population growth rates in Asia, Latin America and Africa have shown. Furthermore, it saves money. The potential savings add up to billions of dollars, because premature death or disability lost the world (on the Bank's estimates) 1.4bn years of healthy (in many cases, productive) life in 1990 alone.

But the money is still not going where it is most needed. According to Unicef's annual report on the state of the world's children – a sometimes harrowing document – 8m children still die every year from five preventable diseases: measles, whooping cough, diarrhoea, tetanus and pneumonia. Even more grim: 1m children have been killed, 4m seriously injured, and 5m have become refugees or orphaned as a result of wars in the past decade.

A child born in 1991 in Romania or even in Turkey, on the borders of the European Union, is five times more likely to die in the first year of life than a child born in Switzerland, Iceland, Sweden, France or the Netherlands. In Turkey there are more than 56 deaths during the first year of life per 1000 live births, compared with six in Sweden. Mortality rates in the third world are considerably worse.

In the Irish Republic only 10 children per 1,000 live births die before the age of five – Ireland comes near the top of the Unicef tables. In South America the average equivalent figure is 54, in East Asia 57, in South Asia 131 and in sub Saharan Africa 183. In some African countries almost one third of all children die before they are five.


In the developing world a little more money would go far Elaine Little

Looking at maternal mortality, the European average is 13 deaths in childbirth per 100,000 births. In South America the comparable figure is 210, in South Asia it is 490, and in sub Saharan Africa almost 600 mothers die in childbirth per 100,000 live births.

But even wholescale redistribution of all the money spent on health could never achieve an equal chance of survival. Mortality rates arise from several different factors, such as what social and economic group a child is born into, general standards of living, housing and diet.

Access to vaccination is also crucial: there have been big leaps forward in the global immunisation programme. The proportion of children immunised against tuberculosis, measles, diphtheria, pertussis, tetanus and polio rose from 5 per cent in 1977 to 20-30 per cent in 1983. By 1990, immunisation programmes against of polio, diphtheria and measles had reached 80 per cent of all children, with 35 per cent of pregnant women receiving tetanus shots. The lowest rate of vaccine coverage was in sub-Saharan Africa.

Lurking behind the call to redirect (and slightly increase) the $2000bn spent world-wide are wide disparities in health care resources, and the resulting mortality and illness rates. The Bank says that if more money was spent on preventing or curing the most common killers, such as measles, whooping cough, complications of pregnancy and water-born diseases, in parts of the world, millions of lives could be saved relatively cheaply.

In the developing world, where the amount spent per head on health care is a only a fraction of that spent in the developed world, a little more money would go a long way.

By contrast, the Americans spend 14 per cent of the US gross domestic product on health care, compared with 6.1 per cent in the UK, and 8 per cent in Germany. France and Sweden.

Improvements in the developing world's health and child mortality rates will to a large extent depend on the commitments undertaken by countries of the developed world, and improving the health of the world's children will take a greater international effort.

At the World Summit for Children, held in New York in 1990, 71 heads of states signed a plan of action, seeking "measurable, attainable goals" for countries to incorporate into national planning: eradication of polio by the year 2000; 90 per cent immunisation by the same date; a halving of child deaths caused by diarrhoea; and virtual elimination of vitamin A deficiency.

While developing countries – Tunisia and Zimbabwe among them – have shown themselves capable of reforming their health sectors, only 2.5 per cent of all health spending (about $4.8bn) in developing countries comes from donors. Meanwhile, the share of total development aid for health fell during the 1980s from 7 per cent to 6 per cent.

In the UK much remains to be done. The Child Poverty Action Group, the Health Visitors' Association and the Save the Children fund argued in their submission to the health white paper in 1992: "There are clear links between poverty, environment and children's health. What hope is there for the future health of the nation if the government fails to act to improve the health of the nation's children?"

Rachel Johnson

The International Youth Foundation

Mere survival is not enough

Battle Creek, Michigan, is a small town in the heartland of the US. It would go largely ignored by the world but for the fact that it crops up on the back of Kellogg's breakfast cereal packets.

The dozy town, sometimes smelling of toasting corn, is dominated by the Kellogg company and its sister philanthropic foundation which, according to the fortunes of its investments, vies with the Ford Foundation to be the world's biggest such charitable body.

Four years ago, a $65m donation over three years from the WK Kellogg Foundation (WKKF) – one of the biggest grants ever made by a philanthropic foundation – gave life to the International Youth Foundation, now also based in Battle Creek.

The inspiration came from Rick Little, secretary general of the foundation, who persuaded the WKKF to award a grant, allowing him time to research and develop a new strategy for helping the world's youth.

Impressed by the fact that as much as 80 per cent of private sector giving is devoted to the creation of new programmes and pilot projects, the consensus which emerged from the two year consultation period (involving experts from 30 countries) was that more support should be given to projects which have already proved their effectiveness.

Thus a distinguishing feature of the IYF is that it steers clear of setting up new charitable programmes, concentrating instead on identifying and supporting exceptional local programmes that it believes are already making a difference, and helping them to expand.

Its philosophy, that people at grass roots level are best able to understand the problems facing young people in different countries, together with a creative approach to fund-raising and the backing of the WKKF, has proved immensely appealing to other corporate donors. Equally compelling has been the IYF's message that world prosperity depends on the well-being of its youth, a message that appeals to the business interests of many corporations.

The small staff of the IYF constantly points out that although great progress has been made in keeping more children alive, an ever greater proportion are growing up with little education, job training, productive employment – or hope.

"The basic issues of starvation, health, nutrition and survival have made significant progress," says Rick Little. "But we also need to concentrate on the issues that matter after you survive – education, training and parenting, for example. Unless we do that well, then survival doesn't really matter."

Enthusiasm in an International Youth Foundation programme in Ecuador *Picture: Elane Little*

To try to ensure sustainable programmes, the IYF encourages the creation of indigenous, grant-making country foundations which are independent of government and less influenced by donor pressures.

These foundations – there are currently seven, with another two in the planning phase – are financially endowed, with the help of the IYF, to make grants for youth programmes and to provide a channel for direct local action. The idea is that they eventually become self-supporting through local and international philanthropy.

Such a system is more likely to ensure sustainable funding for the projects. Furthermore, it avoids leaving small, economically dependent communities at the whim of donors, who may abandon projects after a few years if their priorities change.

Another IYF concern is that many donors prefer to give money for projects which address problems by categories such as literacy, drug abuse or teenage pregnancy. "This approach may overlook the fact that many problems are interrelated and require comprehensive approaches," says the IYF.

The selection of countries for partnerships aims for a regional balance; 80 per cent of the foundation's activities directed to developing countries and 20 per cent to industrialised nations. Once a country has been identified, the formal establishment and staffing of national foundations is exhaustive, usually taking about 3 years.

In Poland, for example, there was no history of independent charitable foundations nor of corporate involvement. Yet in May 1992, the Polish Children and Youth Foundation was legally established and is today the only grant-making foundation in Poland focused solely on the needs of children and youth.

In other countries, the IYF has had to be more cautious. For example, it decided to delay establishing a foundation in Laos, where there was no legal, indigenous non-governmental organisation (NGO) structure. Beyond the partnerships (through which most IYF funds are channeled), IYF supports programmes in other countries – part of its YouthNet programme.

Any programmes that the IYF does choose to support – whether through a local foundation, or YouthNet – are put through a rigorous screening process. Nominations are solicited from NGOs, the church, business leaders, universities and international foundations, among other sources.

The IYF then "interviews" a programme to establish what its objectives are, how youth participates, and what its expected social and economic outcomes are. The programme's budget is also closely scrutinised, and tested for economic viability. The foundation further checks that a programme is independent of partisan politics.

The IYF takes a creative approach to fund raising, and is particularly keen on leveraged donations. For example, $6.5m of the initial $15.3m grant that the Kellogg Foundation gave to IYF was conditional on IYF raising $13m from other sources – a $1 to $2 match.

IYF in turn asks its sister foundations to match donations, but varies the matches according to the circumstances of a particular country. For example, in Ecuador, the IYF gives $3 for every $1 that the local foundation can raise, recognising the difficulties faced by local staff in attracting corporate donations.

Of course there will always be sceptics who doubt the impact of an organisation like the IYF. In view of the scale of the problems facing the world's youth, a degree of cynicism is hardly surprising. But after only four years in existence the IYF is already having an impact, not only by helping successful programmes to expand, but by lifting the problems facing the world's youth on to the agendas of governments and business all over the world.

Emma Tucker

International Youth Foundation, Battle Creek, Michigan, US. (0101 616 969 0033)

The Prince's Youth Business Trust

Commitment to support youthful ideas and energy

Since its birth eight years ago, the Prince's Youth Business Trust has helped almost 20,000 young people in the UK. (In a survey on youth it is worth pointing out that its president is not Prince, the American pop star, but HRH The Prince of Wales.)

To do what? Mainly, to set up businesses. Some 15,000 have so far been set up or expanded with the help of the Trust (PYBT). Help comes in the shape of soft loans, grants, expansion loans, training, and marketing and business advice from a nationwide network of 4,567 advisers, all aimed at young people (18-29) with a good idea but no means to finance it.

But this help is only forthcoming if the idea is viable, if the applicant has the necessary initiative and commitment, and if the money is unavailable from other sources. The Trust makes plain its commitment to help those in this age group who were born without some of the advantages that a middle-class, public school educated, budding entrepreneur perhaps might take for granted. It sees its core market as the unemployed from inner cities and areas of "rural deprivation", the minorities, the disabled, and young ex-offenders.

It calls this its "mission," which gives some indication of the zeal to improve that pervades the Trust's St James' Square headquarters in London (where it lives rent-free, courtesy of Sir Allen Sheppard, chairman of both the Trust and the Grand Metropolitan food group).

Take, for example, Anastasis Soleas. Before he made contact with the Trust he had been made redundant; he was unemployed and broke.

A £5,000 loan and a £1,500 grant from PYBT later, he set up a business making Mediterranean snacks such as houmous and taramasalata that "taste just like the way my Mum made it for us at home." He expects turnover to reach £24,000 after his first year of trading.

Michael Evans and Peter Gotch were among those who spotted an opportunity but lacked the means to develop the idea. When the government made it compulsory for all motor cyclists to have some training before setting out on the road, they knew that training courses for motor cylists had to be a business winner. They started with a £5,000 PYBT loan and now operate from seven centres.

But the going is not all easy. The PYBT's funds are limited, and its dependence on the private sector to match public contributions pound for pound means that it is especially vulnerable at times of economic difficulty. After all, charitable donations are hard to justify when shareholders are baying for a distribution of profits.

The Trust describes itself as

The PYBT has helped nearly 20,000 young people in the UK

the largest business consultancy in the world which pays its consultants nothing – and estimates that it gives away £5m a year in free advice to the supported businesses. Furthermore the Department of Employment regards the Trust as wholly cost-effective in that it costs less to help a business through the Trust than it does to pay unemployment benefit.

John Pervin, the Trust's chief executive, explains that things have been hard financially since the Prince launched a £40m appeal on his 40th birthday in 1988. Though the government, with all-party support, agreed to match all the money raised from the private sector, the appeal has to some extent fallen prey to recessionary pressures in the UK. Donations fell to £3.2m in the year to June 1993 – they came to more than £4m the previous year.

This means that the Trust's future is under serious threat. Its success rate is by any standards "amazingly constant", with over two-thirds of its businesses still trading after two to three years, but "We've only got enough money in the kitty for another couple of years," says Mr Pervin.

Though £40m has been promised by government, only £23m is due to come in – because the government will not match contributions if the private sector fails to make them. Since covenanting money and paying it to the Trust, a dismaying number of supportive companies have gone into liquidation.

As a result, income from the 1988 appeal, as a proportion of total resources, is diminishing fast, while the numbers needing help are rising all the time. Nearly half the number of unemployed people in Britain are under the age of 30 – a figure which has risen by 150 per cent in two years.

"We are reorganising so that we can expand our fundraising," said Mr Pervin, who denies being overly disappointed that the Trust's financial livelihood is threatened by the downturn.

The fact that the Prince of Wales is involved is bound to be a help through the difficulties that lie ahead.

He has described the PYBT as "a remarkable achievement" for a "risk business." He is sure to urge companies to look generously on the Trust despite financial stringency, on the grounds that some of the young people the PYBT helps are, after all, bound to rise to the top in industry or commerce themselves.

Rachel Johnson

Emma Tucker reviews business involvement with youth projects

Consumers of the future

There is nothing saintly about businesses who give generously to community-based charitable projects. Philanthropy barely comes into it.

Companies are well aware that they function best when they exist within a healthy community of customers, clients, and employees.

But consumer prosperity depends on factors such as education, employment and job skills, especially for young people who are the consumers of the coming decades. This is where many businesses see their role. As Sir Allen Sheppard, chairman of Grand Metropolitan, the food and drinks giant, puts it: being involved in the community "isn't to do with do-gooding. Nor is it motivated by concern or shame that GrandMet is such a prosperous company. This is a natural involvement for any company to have".

GrandMet's case is clear: "The long term continued success of our business depends on the existence of prosperous consumers to buy those products," it says in a statement on corporate community activities.

Arguments in favour of involvement in youth strategies are probably stronger now than ever before. Some 3bn people in the world live in countries that are going through radical restructuring – whether in China, India, eastern Europe or Latin America.

"In the long-term, business has got to appeal to the young people growing up in these and other countries in terms of them as future consumers, clients and employees," says Mr Robert Davies, chief executive of the Prince of Wales Business Leaders' Forum, in London.

Furthermore, the idea that government alone should worry about society's needs has gradually been eroded, paving the way for partnerships between government, businesses, local communities and non-profit making organisations. "More companies are responding with more resources and creativity than ever before," says Richard Schubert, president of the Points of Light Foundation, a non-profit organisation aimed at alleviating the most serious social problems in the US.

The growth of the International Youth Foundation – which promotes effective youth programmes across the world that have already proven their ability to make an impact – reflects the huge interest that business has in promoting the well-being of young people. In the four years since it was established, its fundraising commitments have risen from $5.5m to $23.54m.

Yes International, a London based foundation responding to requests from countries overseas for assistance in developing youth enterprise strategies, has - in the nine months since it was established - developed model pilots and support infrastructures in Africa, Asia, and the Carribean, reflecting the fact that business-interest in youth projects as well as willingness to get involved goes beyond the industrialised world.

Expecting corporations to get involved beyond mere philanthropy is a tall order

In India, for example, a youth business trust was recently launched, modelled on the Prince's Youth Trust in the UK. Yes reports that the success of the local trust results mainly from the generosity of local Indian industry and secretarial back-up from the Confederation of Indian Industry.

For many businesses - at least in the richer nations - significant interest in community involvement began in the early 1980s, when it became clear, as companies tackled the problem of over-manning, that unemployment was set to rise.

"We knew that with a lot of redundancies, we were going to make the situation much worse," says Sir Allen. "The natural answer was to say that "they" - the government - would do something about it, but that was a ridiculous idea."

"Our involvement in the community is genuinely business driven, even if measuring the returns is not that easy," he adds.

Like many other big companies, most of GrandMet's activities are focused on supporting young people in the world of work. These include an initiative to educate school dropouts, a programme to help young homeless people obtain jobs and projects offering work experience in offices for children in local schools.

But business involvement with the community is not just about promoting the prosperity of future customers and employees. Companies in the US, and increasingly in Europe, find consumers becoming more discerning about which products they buy – what may tip the balance is the knowledge that a company is actively involved with the community.

"We know from 1992 Mori research that nearly three-quarters of consumers – 73 per cent - say they are more likely to buy from companies active in the community. One testament to this is the fact that Burger King restaurants which are active in their local area show an increase in their sales," says GrandMet.

Involvement in the community is also believed to motivate employees, and is something – at least when the economy is not in recession – that the best prospective recruits will look at in deciding where to work.

The idea of partnership between businesses, communities and charitable organisations is thus an attractive one for the 1990s, appealing both to the long-term business strategies of companies and to changes in the political climate.

But this approach is only any good in places where companies perceive that they have a business interest. Realistically, businesses are unlikely to give generously to the countries that most need the assistance.

Mr Davies points out that his organisation – the business leaders' forum – has to "work with the grain", which means it is unable to get business involved in Ethiopia or Sierra Leone, for example.

The really poor countries do not have the business potential of a Poland or a China. Expecting corporations to get involved beyond mere philanthropy is a tall order.

"And that," says the otherwise optimistic Sir Allen, "is a genuine world problem".

The pressures get worse

Continued from page I

Education - especially for women - is associated with lower fertility. In turn, children from smaller families tend to have more years of schooling and perform better at school than those from larger families.

The impact that educating women can make shows in Kerala, the southern Indian state. Its female literacy rate of 66 per cent is almost double that of its nearest rival, while its fertility rate has fallen to the astonishingly low level of 2.3 children per woman – lower than in China, Thailand, the former Soviet Union, and Ireland. One significant factor in explaining Kerala's success, says the United Nations Population Fund report, is the priority given by the state government to spending on education and health.

But in a world of diminishing financial resources, where the prevailing economic philosophy in many countries is for governments to scale down state involvement in society, how are the aspirations of youth to be met?

There is no substitute for caring parents, but supportive adults, good schooling, proper health care and effective charitable programmes can start to make a difference. Throughout the world there exist thousands of programmes which are improving the environments in which young people live – and raising our consciousness of their needs.

Yet philanthropy alone cannot solve all the problems. Even if young people are provided with a good education, there is no guarantee that there will be jobs waiting for them. Likewise, forging ties between young people and their communities will not ensure that, as adults, they will not be forced to migrate from their homes in search of a better life.

The growth in the world's population calls for decisive action by partnerships formed between government, business, non-governmental and non-profit making organisations, aimed at channelling resources towards people growing up in the 1990s. Only then will all those who make it through their first crucial years as babies hope to flourish in youth, leaving in their place a better legacy for those who come after them.

Leslie Crawford profiles Undugu's work in Kenya

Patchwork solutions

"Mama, I'm hungry, buy me something to eat."

The boy's voice is soft, but his eyes are desperate. The rags he wears flap about his thin legs. I give him a sweet bun and a coupon which will entitle him to a hot meal and a bath in one of the shelters run by Undugu Society, a non-government organisation devoted to the care of destitute children.

There are more than 130,000 street children like him in Nairobi, an inescapable reminder of Kenya's decline into poverty and social strife. The children – or "parking boys" as they are known in Kenya – survive by begging, prostitution, or theft. They cheat their hunger by sniffing glue. They are regarded as pests by the police and as an eye-sore by the local tourist authorities.

Every few months, police make half-hearted efforts to sweep them off the streets. As the government cannot afford to keep them in juvenile detention centres for long, the children soon return to their old haunts.

Over the past 21 years, Undugu (the name means "brotherhood" in Swahili) Society's work has evolved from rescuing children from the streets to addressing the problems that drove them there in the first place.

The core of Undugu's work revolves round providing under-privileged children with basic education and survival skills. It has also become increasingly involved in trying to relieve poverty in Nairobi's sprawling slums.

Through small loans for small business ventures, skills training and community-based health and nutrition projects, Undugu hopes it might be able to alleviate the economic hardship that causes family break-ups and abandoned children. Providing low-cost shelter for the urban poor has been another priority.

Despite Undugu's efforts, the plight of Nairobi's street children gets worse every year. Rapid population growth, rising unemployment and structural adjustment policies have hit urban dwellers particularly hard.

Nairobi's overcrowded slums lack basic sanitation and are often plagued by water shortages. The removal of food subsidies has priced most staples, including maize, beyond the reach of most urban households. Children are withdrawn from schools because parents cannot afford school fees. Malnutrition is on the rise.

"At best, we can only provide patchwork solutions," says Friar Arnold Grol, the Dutch missionary who founded Undugu Society in 1973. "We cannot solve national problems, and we should not be a substitute for the lack of government policies to fight poverty and injustice."

Friar Grol does not believe in handouts or food aid, but he is now feeding the 1,000 children who attend Undugu's schools. "Children were dropping out because they had nothing to eat," he explains. For the first three years, children are taught basic literacy and numeracy skills. The fourth and fifth years are dedicated to learning a trade. "We teach them to become self-reliant," says Grol.

Undugu is also sponsoring 400 children in state schools and seven at university. The white-haired friar is a familiar figure round the wood and metal workshops and the garage, which train future carpenters and mechanics as well as providing Undugu with an income to finance other projects.

There is a tangible pride in what they do, as well as some grumbling about low wages. "When I look at the kids who are still on the streets, with no future, I know I am lucky to be here," says Francis, an 18-year-old carpenter.

Undugu's latest project – centres which provide street children with meals, counselling and a bath – was developed in partnership with the private sector. Nairobi residents are being encouraged to buy coupons at Barclays Bank which they can then give to street children, instead of giving them alms. The coupon entitles children to food and a thorough scrub.

"It was our way of mobilising all of Nairobi in the care of our vulnerable kids," says Aloys Opiyo, one of Undugu's supervisors. "All of society should be involved in looking after them, not just the non-government organisations."

Young people in developing and developed countries – Kenya (above), Poland (right), the Philippines (left), the UK (below) – benefit from programmes supported wholly or partly by the IYF Elaine Little

Unemployment in Poland has hit young people hard

Baby boom blues

Poland's young people make up one quarter of its population. Free market reforms after 1989, and the opening of the country to the outside world, created unparalleled career opportunities.

Suddenly, even first and second year students with a knowledge of foreign languages found themselves courted by foreign companies desperate for local employees without the ingrained work habits of the socialist past. The fast liberalisation of retail and wholesale trade opened up more more jobs to the young – many of them starting as street traders – while in the media they took over key reporting posts as discredited and tired journalists faded into the background.

But, at the same time, the collapse of CMEA (the Soviet-dominated common market) and stringent policies backed up by the International Monetary Fund, together with damaging competition from imports of western goods, brought in their wake a 15 per unemployment rate which hit the mass of young people even harder than other age groups.

More than one third of the 3m unemployed are aged 24 and under. In the smaller towns and rural areas, where unemployment rates soar over the 30 per cent mark, four fifths of school leavers register for unemployment benefit.

Maria Holzer, the head of the Polish Children and Youth Foundation (PCYF) established in May 1992, and an International Youth Foundation partner, knows the threats this brings. She has few means to bring about solutions. "We are seeing a rise of juvenile delinquency and the development of organised crime unthinkable a few years ago," she says.

Ms Holzer adds that alcoholism and drug use is on the increase as Poland becomes an important route for drug smugglers.

At the same time the health of young people – never good in Poland – is not improving. Ms Holszer concludes that many kids are helpless in the face of the competitive challenges of the new times.

'It is a pity that the talk of Poland's economic success gives the impression that there are no longer any needs – many kids are helpless in the face of new competitive challenges'

The foundation is seeking to address these problems. The cheerful and optimistic Ms Holzer – she is ideally suited to her task – has few illusions that even the predicted 4 per cent GDP annual growth in coming years will alleviate the worries without extra effort. "Indeed, it's a pity that the talk of Poland's economic success gives the impression that there are no longer any needs." They exist, she says, explaining that the late 1970s baby boom, which lasted into the early 1980s and will start hitting the labour market in 1995, will bring more of the same.

The PCYF approach is to help fund grass roots initiatives which, broadly speaking, will help young people develop their initiative and independence, teach tolerance towards others and improve their state of health.

Since 1990, before the PCYF was established, the "islands" programme has helped school children in Chorzow, in the heart of the desolate industrial region of Silesia, to learn about democracy through a network of school parliaments.

The programme is backed by another, teaching children to care for their friends from broken homes. In Starachowice, an experimental programme running since 1987, supported by the PCYF, helps primary school teachers to deal with children with psychological problems and teaches the children themselves to care for their health. Ms Holzer says it could soon be introduced throughout the school system.

Last year the PCYF backed 107 different projects, covering a few dozen children or teachers to several thousand, spending 7.1bn zlotys ($330,000). The approach is to stay clear of government – indeed, support for non-governmental organisations is seen as a priority.

This has given the PCYF a measure of stability as governments have changed. There may be controversy as PCYF programmes challenge old ways in a society which can be authoritarian and conservative in its attitudes and remains under the influence of the Catholic Church.

Ms Holzer denies that this has happened so far. "The range of our activity is so limited that we have yet to be noticed," she admits.

Christopher Bobinski

Recreation is central to Vicaría's work in Chile

'High risk' concern

It was during the height of recession and the depths of dictatorship that the Vicaría Zona Norte, an outreach office of the Chilean Catholic Church, began working with children in the slums of Santiago.

The Vicaría set up its "Recreation and Urban Centres" programme in 1982. At that time Chile's economy was in shreds, savaged by the Latin American debt crisis which had produced the worst assault on living standards since the 1930s. It was also a period of social unrest as huge unemployment and plummeting wages led to a wave of street protests against the military government of General Augusto Pinochet.

Against such a backdrop the Vicaría's aims seemed modest. It began to work with children from the poorest parts of Santiago, encouraging them to meet, play sports and discuss their problems. Most of the children came from homes (often violent) where there was little motivation or time for leisure. Many of their families had been "relocated" to squalid housing estates in the no-man's land around Santiago.

The Vicaría's main concern was "high-risk" children living in these so-called *poblaciones*, bereft of public services or recreational facilities. "The kids just used to go out on to the streets, like vagabonds," says Ana Leighton, who came to the Vicaría as a child and who is now chief programme director. "It was a period of crisis in terms of participation. Nobody took part in anything in those days. There were no unions, no political organisations. But then people began to wake up, disillusioned with having been asleep for so long."

The church – often the focal point of opposition to the military regime – "opened up" to this new-found need for solidarity in a society which had become deeply divided along political and social lines.

"When the kids first arrived, the games they played were violent. They had a lot of aggression. We encouraged them to play games where they would be in a team and learn to respect one another," says Ms Leighton. Recreation was central to the Vicaría's philosophy of encouraging children to develop a sense of self-worth. "It's more than just tossing kids a ball and saying: 'Get on with it'. For us, recreation is a tool of personal development."

'The idea was to defend children's rights to an identity, health, education, a family'

It was through sports and activities that the Vicaría tried to impart what it saw as values under threat; love, understanding, respect for others, sharing and solidarity. Children, organised into neighbourhood groups under the supervision of trained counsellors, played team sports, went on country walks, put on plays and learned new dances. Once a year there was a week-long summer camp. "From the outset the child was the focal point," says Ms Leighton. "The idea was to defend the rights of children – their right to an identity, to health, education, a family and a place to live. This became our slogan."

The programme has worked with more than 4,000 children, and it has trained 700 volunteers. Today it finds itself operating in very different circumstances. Chile, which returned to democracy in 1990, is now experiencing rapid economic growth and is seen as the "miracle" of Latin America.

While this has helped to drag many people out of poverty, the country's success has brought its own problems. The Vicaría now finds it harder to raise cash internationally, as charities switch funds to more needy causes. Many centres have become adept at raising their own financing.

Ms Leighton is also concerned that the growing conspicuous consumption of Chile's middle classes is creating new resentment among the country's poor, especially its youth. UN criteria show nearly one in three Chileans below the poverty line.

"Lots of the kids don't have much sense of the future. They speak of today, but not of tomorrow," says Ms Leighton. She says that higher education is beyond the reach of most poor children – save for the few who win scholarships. Those stranded in the slums can only watch with envy as their wealthier contemporaries advance ever closer to a western lifestyle.

Among the difficulties faced by children today, Ms Leighton highlights the rising rate of teenage pregnancies – particularly problematic in ultra-conservative Chile, where the use of contraceptives is controversial and abortion and divorce are illegal.

She is also worried by the spread of football hooliganism, and evidence that violent crime is rising. Towards the end of 1993, the press devoted much attention to the case of a 15-year-old accused of killing an eight year-old boy for his ice-cream money. Like the James Bulger case in the UK, many commentators are using the incident as evidence that, despite the economic "miracle", all is far from perfect with Chile's children.

David Pilling

A poor child in Chicago, in the US, may never meet a successful adult

Families torn by want

Sixty one children under the age of 15 died violently in Chicago last year, part of an epidemic which plagues all of America's cities.

For young survivors in Chicago's poorest neighbourhoods, where childhood is punctuated by the sound of sirens and gunshots and families are torn by want, the world is limited and dangerous. Education, the vehicle most often used to escape poverty, is inaccessible in the city.

Affluent and middle-income families long ago left the public school system, enrolling their children in a parallel system of private academies. What remains, and what serves thousands of poor children, has been judged the worst public school system in the nation.

One of every two students entering a Chicago public high school this year will not graduate. For boys, the drop-out rate is even higher. 70 per cent of Hispanic males who start high school do not finish, and African American boys in the city also have a dismal graduation rate. Distracted by violence and street life, many children lose interest in school by the third or fourth grade.

Chicago, the third-largest city in the US, is also the most segregated. Gaps in economic well-being among racial groups are perpetuated by gaps in educational opportunities. A poor child in the city may never meet a successful adult, has few constructive role models, and may have little incentive to finish school.

For Walgreens Corporation, the largest drugstore chain in the US, based in Chicago, the city's educational failures provided the spark for an award-winning private initiative aimed at raising achievement levels of inner city children. Tom Mammoser, director of corporate communications for Walgreens, says the company has a natural and longstanding interest in youth.

Walgreens, with $8.3bn in sales last year, operates in many inner city markets and has 100 stores in Chicago. "We became concerned that there be enough qualified employees for us out there," he said. "We saw all of these kids in our own city who weren't making it, and we decided to do something about it."

'We saw all of these kids in our own city who weren't making it, and we decided to do something about it'

That "something" became an eight-year partnership with the Midtown Educational Foundation (MEF), a not-for-profit agency with a 30-year history of helping mostly minority children in Chicago's west side neighbourhoods.

Midtown was already operating several after-school and summer programmes aimed at raising the educational success rates for high-school-aged boys. With a four-year start-up grant of $190,000 from Walgreens, the MEF initiated a personal tutoring program for younger children, at the ages of nine, 10, and 11. Since its inception in 1989, the One-on-One programme, as it is called, has expanded to help nearly 200 children each year stay on track at school.

The key to the programme's success has been a host of volunteer tutors, mostly young professionals drawn from Chicago's business and academic communities, who serve as role models and confidants as well as homework coaches. While there are a host of tutoring programmes in Chicago, the Midtown effort is distinctive because it reinforces what Midtown executive director Jim Palos calls "the whole child."

"We're not just trying to improve grades; we blend education, sports, culture to form a complete character, a person of substance," Mr Palos says. "We place a huge emphasis on becoming a successful person."

Typically, a child meets with his mentor once a week after school at a Midtown facility for an hour of personalised study, a 15 minute group discussion of values, and 45 minutes of sports. Tutors are encouraged to meet a child's family, and to understand the circumstances of the child's life.

Affiliated with the Catholic service organisation Opus Dei, Midtown runs separate One-on-One programmes for boys and girls. Mr Palos does not pretend that his programme reaches the neediest children. "We are very focused, and we aim for the average child. Our goal is to prepare them for college."

To qualify for One-on-One, a child must demonstrate that he or she has a supportive parent, who must come in for an entrance interview at Midtown. Joan Costello, an education consultant who evaluated the One-on-One programme for Walgreens, praises Midtown for its preparation of tutors, the support it provides to both children and volunteers, and for measurable achievement.

95 per cent of the children in Midtown programmes, including One-on-One, graduate from high school, and 60 per cent of those attend college. "The One-on-One programme at Midtown Center exudes vitality," Ms Costello said in her report. "It gives one a hopeful sense of what can be done when a capable organisation helps one adult and one child become friends and grow stronger together."

The One-on-One model has been applied in other US cities, including Boston, the South Bronx district of New York, Dallas, and Washington DC. Meanwhile, Walgreens has increased its support of the programme, recently donating an additional $450,000 to fund One-on-One through 1996.

Laurie Morse

MANAGEMENT

TIPS FROM THE TOP

MBWA – manage by wandering around

Lew Platt, chief executive of Hewlett-Packard, offers advice on keeping close to your employees

I have just completed my first year as chief executive of Hewlett-Packard, a year of escalating competition in our industry and continuous pressure on our employees to make difficult changes. Sounds familiar?

Because most of our 96,000 employees around the world are struggling with tumultuous change, I made a decision at the outset to focus my inaugural communication efforts on employees. Although this left little time for press interviews or communicating with other important constituents, the first 12 months presented an opportunity to gain employee support that wouldn't be repeated.

I've been a believer in open, two-way employee communication throughout my career, and this year reinforced that belief.

Employee communication seems to be a fad that comes and goes in many companies. At HP, though, it is a sustained effort; in fact, it is ingrained in our company culture.

There are some simple practices that have worked well at HP for more than 50 years. They are so simple that they're often rejected or overlooked. They were put in place by our company founders – Bill Hewlett and Dave Packard – when they started the business and I'm fortunate to have inherited this legacy from them.

The first rule is to trust and respect all employees. We approach each situation with the understanding that people want to do a good job and will do so given proper tools and support. This is one of the values that underlie our corporate objectives. It's evident in our lack of time clocks. Employees are trusted to keep track of their own hours. It is also evident in our placing decision-making at the lowest possible level, where invariably the best decisions are made.

Second, create an atmosphere of open communication and let it permeate the culture. At HP, we have an informal atmosphere where everyone is on first-name terms, regardless of rank or job.

Decisions are taken at the lowest possible level, where invariably the best ones are made

We also have a number of mechanisms to encourage people to talk to each other, including: an environment where there are no doors; regular employee communication sessions in which managers update employees on the state of the business; communication lunches where employees can share ideas and identify problems in a two-way exchange with management; and coffee pots located around the company where people can gather for informal conversations. We also encourage MBWA – managing by wandering around – which gets managers in touch with people.

Third, establish an "open door" policy. At HP, any door is literally open to an employee with a problem, a complaint or a suggestion. The practice has been extended successfully to our electronic mail system and I get dozens of letters each week from employees, as do managers throughout the company. This practice has worked as well as any formal employee suggestion programme I've ever heard of, and it's much less costly.

I spent much of my first year as chief executive travelling to HP sites around the world.

It is amazing how these principles work as well in India and China as in the UK and the US. At every site, I've made a point of having a communication session with employees. These have been invaluable for reinforcing my key objectives and learning what's on people's minds.

This is not just the job of the chief executive. People expect the entire management team to live by these values and not just talk about them. Every HP manager is accountable for communication on his or her performance evaluation. Our employee survey, conducted at each site every 12 to 18 months, is one of the best measures of how well managers are performing in this regard.

None of these practices is new. There is no magic about them. But they are time-tested, and they are the primary reasons why we have been able to attract and keep top talent, even in the most difficult times.

This concludes the present series. The FT will shortly be publishing Tips from the Top as a single booklet. Fax John White on 071-873-3072 for further information.

The unassuming residence of Nissan chairman Yutaka Kume as it appeared in Friday, the popular Japanese magazine — Reuter

Wealth eludes the salaryman

Western managers are under attack for being greedy. It's a different story in Japan, says **Michiyo Nakamoto**

A few years ago, Yutaka Kume, chairman of Nissan, acquired a small, ready-built house, of what might be considered modest proportions, in the outskirts of Tokyo.

A photograph of Kume's dream home, sitting on an undistinguished plot of land, shocked the Japanese public when it appeared in a popular magazine.

Expensive as Japanese land prices might be, Kume's residence, located in a distinctly middle-class residential area, was not what might have been expected to be fit for the chairman of Japan's second-largest auto maker.

Executives of Japan's large and famous companies may enjoy prestige and a high profile on the international stage, but wealth is usually not one of the benefits that comes with their office.

Like Kume, many Japanese executives live in residences which would be considered humble by western standards. And unless they are self-made millionaires, or have inherited wealth, their personal fortune is likely to be so insignificant that it would make American and European executives blush at the comparison.

According to a survey last year by the Seikei Kenkyu-jo, a private research organisation, the average annual income including bonuses of the presidents of 46 companies listed in the first section of the Tokyo Stock Exchange was Y37.25m (£223,000).

Although this is about 10.5 times the average pay of first-year salarymen, according to the Seikei Kenkyu-jo, it is a paltry sum compared with the millions of dollars paid in remuneration to the executives of America's top corporations.

The exception to that general rule is the executive who is the company founder or belongs to the founding family, owns a large number of shares in the company or enjoys an unchallenged position at the top for similar reasons.

Yoshiaki Tsutsumi, who inherited the Seibu Railway empire from his father and was estimated by Forbes to be worth at least $10bn in 1992, and Akio Morita, of Sony fame, who built up his radio business into one of the biggest names in consumer electronics, are two examples.

But for most so-called "salaryman managers", who are employed by public companies, such wealth is the stuff of dreams.

One reason for the low level of executives' remuneration is that unlike western companies, Japanese businesses which use a seniority-based employment system do not make as much of a distinction between ordinary employees and those with executive status.

"In Japan, the executive's job is seen as an extension of the work of other employees, so it is considered inappropriate to create a huge gap between executives' and other employees' pay," explains Sadao Ohta, director of Seikei Kenkyu-jo.

Nor do Japanese companies offer benefits to executives on the basis of performance, such as in the form of preferred shares or stock options which are commonly used in the west. Stock options have made many a businessman in the west quite wealthy. But in Japan, where companies cannot buy their own shares, no such system exists.

Even if it did, the Japanese view that a company's performance is the sum of employees' work would prohibit rewarding executives alone for good business results.

"Japanese companies take a long-term view of business performance which is considered the outcome of measures taken over many years rather than the result of one man's hard work," says Ohta.

At the same time, the Japanese company executive is expected to set a good example for other employees. Extravagance in any form is likely to be frowned upon and would trigger criticism at the first signs of a business downturn or unhappiness among employees.

So while many would sympathise with Kume, his self-restraint, according to one industry official, "is a model for the Japanese salaryman."

That role of the company executive, as a mirror for other employees, has been in particular evidence during the country's present economic downturn. When business is low it is common practice in Japan for companies to cut executive bonuses and pay first.

So while Japanese salarymen face the prospect this year of a freeze on pay, many Japanese executives have already taken cuts in their bonuses, while basic pay is also down for those at some companies.

Executives at Toyota, for example, have had their remuneration cut by 30 per cent since the summer of 1992 while those at Nippon Steel have been living with on average 10 per cent less of their pay since October of that year. To add to their financial woes, Japanese executives are still expected to attend countless weddings, funerals and other social events, and make cash gifts befitting their high social status.

However, there are some remuneration compensations. The Japanese executive does generally enjoy round-the-clock use of the company car and his own chauffeur, as well as membership of the most exclusive golf clubs, an entertainment allowance that is almost unlimited and other perks. Some companies even have luxurious housing arrangements for their president.

As a result of such benefits, it is difficult to strictly compare the remuneration of Japanese and western executives, says Koji Aoyagi, a consultant at Wyatt-Seikei, the consulting firm. With Japanese companies, it is hard to draw a clear line between perks that exist to benefit the executive and those which are provided in the interests of business, Aoyagi points out.

What is clear, though, is that such benefits only last as long as the executive retains his position at the company. For the retired Japanese executive, the exclusive golf club he has come to know so well often becomes a distant memory.

BUSINESS TRAVEL

Not yet a pretty sight, but safe

Beirut is again a place to do business. **Mark Nicholson** offers some tips

These days only the deeply skittish are scared of doing business in Beirut. Unless, of course, you include the fear of being hoodwinked or outwitted in what, since Phoenician days, has been one of the Mediterranean's sharpest trading cities.

Now that Lebanon has settled into peace after its bloody civil war, trade is picking up. The UK last week renewed export insurance cover to Lebanon for the first time since 1977. At the same time Lebanon's Prime Minister Rafik Hariri was in London selling the country's $10bn reconstruction plans. The French and Italian governments are also taking a positive view of Lebanese prospects.

Post-civil war Beirut is not the prettiest place to do business – though the blocks of hollowed and lacerated buildings are morbidly fascinating. Neither is it the most efficient. The telephone system can sometimes leave you yearning nostalgically for the Phoenicians' pigeon post, and some trips across town at rush hour are best undertaken in the company of a fat novel and a mask to filter the petrol fumes. But it is safe enough.

There has been no shooting or shelling since 1990, and there is no longer any hostage-taking. But visitors ought not to tempt providence. Roaming around the Hizbollah enclave of Beirut's southern suburbs, for instance, would excite suspicion, while jogging its streets in a stars-and-stripes sweatshirt would not be a good idea.

There is no cause to be too nervous of men in fatigues with guns, who are everywhere, along with the odd armoured car or tank. Lebanese and Syrian army checkpoints are also common, though usually offer no impediment. However, soldiers in Beirut do not like being photographed. And you should carry a passport, particularly at night or when leaving the city.

Getting around Beirut is fairly straightforward. Battered Mercedes cabs are easy to find in the centre and short hops cost only a dollar or two (just about everything in Beirut can be paid for in dollars; taxis, restaurants and many shops will quote you dollar prices first).

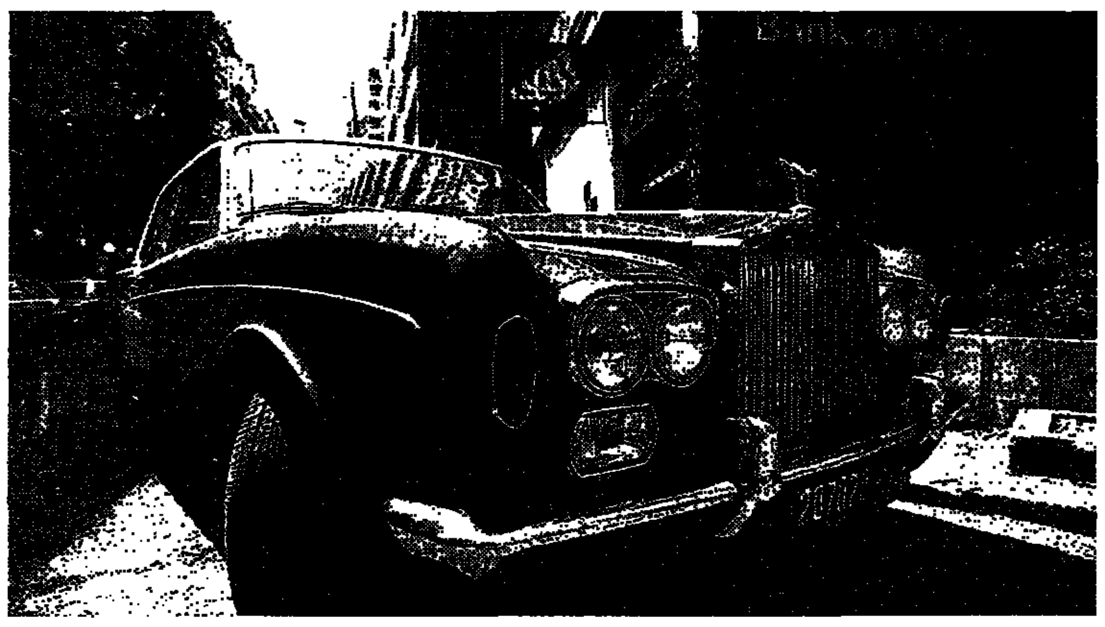
Most drivers speak some English and know their way around. But get the directions clear, or ask the hotel to write them down. For a series of morning meetings, cabs can be hired from the hotels. Rates, which can be exorbitant, are directly related to your ability to bargain – a pricing principle that applies to most transactions. A common charge is about $35 for a morning. Grabbing a cab on the street is always cheapest, but if you are going far from the centre, ask the driver to wait.

Getting to Beirut is also becoming easier – aircraft arrivals were up 26 per cent in the third quarter of last year and are rising. The airport is simple but effective, and historians will enjoy the sight of Middle East Airlines' fleet, which still includes a few doughty 707s. In most airports in the developing world, the degree of delay, intrusiveness, bloody-mindedness and bureaucracy at the airport is often a good indicator of things to come. Beirut scores suitably high on the no-nonsense scale.

Once there, despite the obliteration of Beirut's more upmarket hotels during the war, accommodation is comfortable if not always lavish. The seafront Summerland and Coral Beach Hotels are reckoned to be the city's most plush, and cost from $150 a night.

In and around Hamra Street in west Beirut, the Bristol and slightly cheaper Cavalier and Mayflower Hotels offer good rooms and excellent service. And, at the Bristol and Cavalier at least, there are direct-dial, international phone lines, at about $7 a minute to the UK.

Telephone calls are Beirut's chief headache. The old rotary exchanges are hopelessly inefficient and will stay so until 500,000 contracted new lines are installed over the next



Beirut business: there are plans to develop a banking and financial centre, but it won't be complete for a few years — Morris Carpenter

year or so. Reaching an outside line from a hotel can, on occasion, take about half an hour. Dialling some "difficult numbers" in different areas of the city is often only an exercise in finger abuse. Many Beirutis, therefore, have portable phones that use US networks, which means dialling through New York to speak to someone across town. Such calls must be among the most crackly per dollar/minute in the world.

To cheer yourself up after a frustrating phone call, you could visit one of Beirut's restaurants. Lebanese food is, as the locals will keep reminding you, the best in the region. Traditional *mezze* dishes, such as *hummous*, *babaganoush* and *tabouleh*, are generally freshly prepared. Seafood is excellent. Locals consider Nasr, Yildizlar, el Pasha and Istambouli among the best places to eat. There are several good Italian restaurants, including the Spaghetteria, and French ones, such as Retro and the Vieux Quartier, which is arguably Beirut's best and certainly its most pricey.

Lunch is a pre-eminent business institution. Forget about bringing prospective business partners gifts: offer them a two-hour lunch *à la français* and, while being sensitive to your associates' religion, wash it down with a little of Lebanon's respectable wine.

Otherwise, there are few rules of business engagement in Beirut that do not apply elsewhere. The city's business community is more cosmopolitan than any other in the Middle East though, as elsewhere in the region, personal contact and trust are at a premium.

Most business people speak good English, but the years of French rule have also left an enduring legacy, especially among Beirut's Christians. As for "baksheesh", Lebanese businessmen are far too sophisticated for any such crude transactions, which is not the same as saying "commissions" will not be required at some point.

For your non-working hours, there is a wider selection of extra-curricular activities than in almost any other Arab capital. These range from casual jazz bars, such as the Blue Note in Ras Beirut and the Soho-style Scoozi's bar-restaurant in Verdun, to the nightclubs of Joumieh, 45 minutes' drive north. Cinemas play newly released, and uncensored western movies.

The old souk has been shelled out of existence, and is a focus of Lebanon's ambitious rebuilding plans. But there are plenty of chic western-style shops, with commensurately high prices.

As for sport, there is that old Lebanese chestnut about being able to ski in the morning and swim in the afternoon. The determined visitor can indeed do so for part of the year: either on ski-threateningly thin snow, or in life-threateningly cold water, or probably both. Executives who consider this a vital part of their trip might more comfortably try Vancouver.

There are, however, both beaches and ski resorts less than an hour's drive from Beirut which are pleasant enough to enjoy on their own at the suitable time of year. Swimmers should be aware, however, that Lebanon's *laisser-faire* waste-disposal policies are thought by some to have led to nuclear waste being ejected into the sea.

There are few other hazards confronting business visitors to Beirut. The comforts of the city – which Life magazine described in 1966 as "Las Vegas-Riviera-St Moritz flavoured with spices of Araby" – are being restored. It will be at least two or three years, however, before the government's redevelopment plans create the nucleus of a banking and financial centre, and perhaps 20 years before the current artists' impressions materialise into a shiny new Mediterranean city.

All that, of course, also depends on a broader Middle East peace settlement. But Lebanese businesses, at least, are trying not to let the vagaries of that hold them back.

Taiwan relaxes visa rules

Citizens from 12 countries – Australia, Austria, Belgium, Britain, Canada, France, Germany, Japan, Luxembourg, the Netherlands, New Zealand and the US – will be allowed to enter Taiwan for a five day stay without a visa.

Danish link

Europe's longest rail and road bridge was completed last week. The 6.6km link between the Danish islands of Fyn and Sprogo, is part of a planned bridge and tunnel link over Denmark's Great Belt.

Airlines

Air France is spending $930,000 to spruce up the interiors of five of its seven Concordes.

The US Supreme Court last week backed US airports in their long running dispute with airlines over fees for using runways and airport facilities. The court ruled that airports were free to charge fees they decided were reasonable.

USAir and British Airways are taking practical steps to consolidate their alliances in the US. The US airline, which is British Airways' partner in North America, plans to move its services at New York's Kennedy Airport to BA's own terminal to improve connections with BA's eight daily trans-Atlantic flights.

British Airways flights to Poland are still disrupted by a dispute with Polish Airlines over landing rights at Heathrow. Travellers on BA flights to Warsaw are flying to Frankfurt and then travelling onto the Polish capital by bus.

Korean Air Lines and Asiana Airlines, plan to add 12 international destinations to their routes this year, including Washington, Seattle, Beijing, Brussels and Khabarovsk.

India is planning to change regulations to permit its state-owned domestic and international airlines to become publicly held companies, according to Indian newspaper reports.

They said the government issued a special ordinance scrapping a 1953 parliamentary act that nationalised air services in the country and did not allow private airlines.

Greece snowbound

While airports on the east coast of the US are back to normal despite continuing cold weather, Greece's transport system was heavily disrupted over the weekend by a cold snap. The bad weather caused extensive power cuts and flooded Athens streets as temperatures sank to their lowest level this year and snow blanketed much of the country.

In Athens temperatures went down to minus 3°C (26 °F) over the weekend and authorities advised people to stay indoors. Few tourists and cars ventured onto the usually busy streets. Sea travel to all islands was suspended.

California

Flights to Los Angeles were not affected by one of the strongest aftershocks the city has suffered since the massive earthquake ten days ago.

The Saturday morning aftershock measured 5.0 on the Richter scale. For many families it was the first night that they had ventured back in to their damaged apartments.

California's reputation with the Japanese took a further blow last week after state governor Pete Wilson was forced to apologise to 22 Japanese executives who were robbed at gunpoint on a tour bus hijacked by two men after a visit to a factory.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	9	14	4	3	7
Hong Kong	23	25	23	23	24
London	7	8	6	6	5
Frankfurt	5	3	5	8	5
New York	-1	-2	-1	-3	-6
L. Angeles	22	22	17	18	19
Milan	11	12	12	13	11
Paris	8	7	9	10	6
Zurich	7	2	6	10	6

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

THE MONDAY

People page

Casinos deal The Donald a fistful of aces

Two years ago it looked as if he was down and out. Now Donald Trump is planning a comeback. **Richard Tomkins** reports

Donald Trump is in his headquarters office on the 26th floor of Trump Tower, a glittering high-rise on New York's Fifth Avenue. Seated on the far side of one of America's larger executive desks, he has agreed to talk about the the rise and fall, and rise again, of Donald J. Trump. But time is money, and his attention span is notoriously short.

Quickly, then, the story so far. Two years ago it looked as though Mr Trump – or *The Donald*, as people call him – might no longer have his desk, his office, his tower, or any of the rest of the property and casino empire he *built up during the 1980s. Brought to* the edge of bankruptcy by a combination of debt and collapsing asset values, he seemed destined to go the same way as the *Reichmann brothers, Robert* Campeau, and other over-extended victims of the decade of excess.

And yet, he has survived. Helped by the cashflows from his casinos, he has reorganised or paid off a large part of his debts. His private yacht may have gone; so has the Trump Shuttle airline (now part of USAir), and a 49 per cent stake in the Plaza Hotel in New York. But the rest of the empire – the Trump Tower, Trump Parc, Trump Palace and Trump Plaza high-rises in New York, and the *Trump Plaza*, Trump's Castle and Trump Taj Mahal casinos in Atlantic City – is remarkably intact.

Now, at 47, The Donald is making his *comeback. Last month he married* Marla Maples, the 30-year-old actress who eight weeks earlier had given birth to their daughter, Tiffany. Admittedly, *the bride's $2m tiara was borrowed* from a New York jeweller, but the wedding put the Trump name back in the headlines across the world.

Next, Mr Trump plans to return to the headlines with his business deals. In a few weeks' time, he hopes to pay off the rest of his personal debt by floating his Atlantic City casinos on the stock market. He says he is looking at five or six possible locations for new casinos, or riverboat casinos, outside Atlantic City. And in New York, he *aims to press ahead with his long-dormant* $3bn project to develop the 75-acre Penn Central railway yards in Manhattan.

Mr Trump *acknowledges that* he was in deep trouble at the turn of the decade. "But it happened to everybody, virtually. The real estate markets were *collapsing throughout the world." His* personal low, he says, came at the beginning of 1991, when his financial difficulties coincided with the bitter divorce proceedings that ended his marriage with Ivana Zelnicek.

He also acknowledges that he sacrificed some assets to get himself out of trouble – but only, he says, unimportant ones. "A yacht is an easy thing. I sold the yacht because I never got to use it because I was too busy. I sold some of the toys, but the big toy, the great toy, is Mar-a-Lago [his palatial estate in Palm Beach, Florida]. I never sold that."

Times were hard. "I had a couple of *bad years,*" says *Mr Trump.* And the mauling the media gave him led him to sympathise with others who suffer the same fate. "One of the people that I *think has gotten a really bad rap* – somebody I know just little bit because he was at my home, Mar-a-Lago – is Prince Charles, from your country. I think he's a wonderful guy. He's taken a lot of heat. I think he could get a little better press."

But on the issue that really matters – the state of the Trump Organisation – his recurring theme is that the business *is stronger* than ever. "The Taj Mahal [one of the three Atlantic City casinos] has just set an all-time record – it made a profit of $135m last year. No casino in *history has ever made that much* money."

While it is true that the casinos are doing well, it is less easy to determine *what The Trump Organisation is worth.* In 1992, Business Week, the US business magazine, calculated that Mr Trump's liabilities exceeded his assets by $1.4bn. Mr Trump disputed the figure at the time, and in any case it is long out of date: but not even The Donald will attempt to put a value on his business. "It's a very substantial number," he says. "But I really can't tell you exactly because it's very hard to value what the Taj Mahal's worth, or what the Trump Plaza's worth, or what the land's worth."

In one sense, it doesn't much matter: investing in The Trump Organisation was always an act of faith, and is likely to stay that way. *That is how The Donald* says it should be. "If a person owning bonds in the Taj Mahal didn't sell their bonds, those bonds would be *golden: that investment would be gold.* If they sold them, I can't help them because they weren't loyal. But the people who were confident in me all came out ahead."

The hard times taught him a lot about loyalty, he says. Some people he hadn't much liked turned out to be good friends, and others he trusted let him down. "There are a couple of people I trusted who, I'm glad that I learned, weren't particularly loyal. And now they're coming back to me, kissing my ass and wanting to get back on the gravy train, and they haven't got a shot."

But what drives The Donald to do what he does? A lust for power, or *wealth, or beautiful women? Is it sheer* egomania that makes him want to acquire more and bigger buildings, and put his name on them? Or some displaced desire for immortality?

"I hate to sound like an overly negative person, but people ask me why I go forward, and I say it's because I have nothing else to do. Because it's true. What else am I going to do? Watch television? Read a book? I read books anyway, but I mean, what else am I going to do? We're here, we're put on this earth for an average of 72.3 years, and after we've gone, who the hell knows what happens? And in the meantime, I just like the game."

The Donald is getting fidgety. Clearly, his attention span has reached its limit. At some unseen sign, people have started wandering in through the open *door to his office, ready to start the* next meeting.

"Come in, Henry," says The Donald. "Sit down Henry, just sit down. I'm just finishing up an interview with the Financial Times. It's going to be a very negative story, based on the questions. But you know what? Who gives a shit. I don't even care. One of the things I've learned is that I just don't care."

Personae

Heading up the barber's creation

They are changing the top guard at Phillips Petroleum, the Oklahoma-based oil company which used to be a favourite target of corporate predators in the mid-1980s. Wayne Allen, 57, takes over in May as chairman and chief executive, and Jim Mulva, 47, steps into Allen's place as president and chief operating officer, writes *William Hall.*

Arkansas-born Allen will be the ninth chairman of a company set up in 1917 by Frank Phillips, a former barber, who decided he could make more money from drilling for oil than from Phillips Mountain Sage, his baldness cure. Allen, like current chairman C J Silas, is an engineer who has risen through the production side of a company which produces over half its output of 200,000 plus barrels a day overseas.

However, Allen is considerably older than Silas was when he took over nine years ago, which means he will probably hand over to *Mulva before the end of the* decade.

Mulva has been Phillips' chief financial officer since 1990 and has been heavily involved in reducing the mountain of debt that Phillips incurred when it was fighting off the unwelcome takeover approaches from T Boone Pickens and Carl Icahn in the mid-1980s. Phillips has cut its debt from over $9bn to $3.5bn and Mulva says the company is now supporting a similar-sized asset base of $12bn with around half the employees.

Phillips shares now stand at a substantial premium to net asset value but Wall Street still needs convincing that Phillips can continue to play in the big oil league. Analysts believe that Mulva is as good a choice as any to get this message across.

The unstuffy privatiser

There could be few less probable champions of privatisation than Lajos Csepi. The new managing director of the Hungarian state holding company AV RT rose through the ranks of the state apparatus, writes Nicholas Denton in Budapest.

The 43-year-old's communist-era career culminated as deputy president of the national price office. The outwardly gray Mr Csepi admits, "I am a bureaucrat."

Not, at first sight, credentials designed to inspire confidence when the AV RT controls *stakes in 162 strategic* companies, including utilities, pharmaceuticals producers, engineering enterprises and *commercial* banks. After all, the last thing Hungarian business needs after 40 years of communism is more bureaucratic management.

But Mr Csepi is full of surprises. For a start, he is about as unstuffy, frank and self-deprecating as high officials get. And then there is his passionate commitment to privatisation: "I have seen for 20-30 years that public ownership simply doesn't work."

His belief has, if anything, firmed during since 1990 when he took over as managing director of the SPA state privatisation agency.

Mr Csepi says of his new charge, the AV RT: "Privatisation has not so far been the focus of this organisation. It will be."

AV *RT's original philosophy,* when founded in 1992, was to restructure state companies first, improve their value and only then, perhaps, divest them. The first two, Hungarian-American, managing directors of the state holding showed a touching faith in the state's competence.

The irony is that a homegrown apparatchik like Mr Csepi is far more sceptical about reorganisation and consolidation, the polite words for state bailouts.

He fears companies will *deceive the authorities in order to win larger debt* write-offs.

Mr Csepi remembers that *in the old days the prices office* would ask companies for data needed to set prices in their sector. "They gave us false information. They made fools of us." Some things bureaucrats know best.

Riverso decides to fly Alitalia

Eyebrows were raised last March when Renato Riverso, the outgoing chairman of IBM Europe, accepted a post on the slimmed-down board of Eni, Italy's state-owned energy and chemicals giant, only to change his mind a couple of days later, writes Haig Simon*ian in Milan.*

Few were convinced by Riverso's explanation work commitments prevented him from *taking up the job at Eni,* desperately trying to shake off the stigma of politicised appointees to its senior ranks. At the time, Riverso's volte-face was attributed to second thoughts about working for a company which has been deeply tainted in Italy's political corruption scandal.

However, his acceptance last week of the chairmanship of Alitalia, Italy's troubled state airline, suggests he may have already sniffed something better was in the wind. Riverso, 60, who is succeeding Michele Principe, due for retirement, will be flanked by Roberto *Schisano, Alitalia's new man*aging director.

Both these Italians recruited from the information technol*ogy sector have decades of* experience with big multinationals under their belts. Riverso has been with IBM since 1957, while Schisano, 50, is currently chairman of Texas Instruments in Europe, the US components and information technology group he joined in 1971.

Their mission is to bring Alitalia back on course after deepening debts and heavy losses under Giovanni Bisignani, the 47-year-old executive who took on the managing director's job in 1989.

Though obviously talented, Bisignani, the former head of *international relations for the* IRI holding company which controls Alitalia, had little managerial experience. He has *been found a new berth as* chairman of Tirrenia, the ferry line which is controlled by IRI's Finmare shipping subsidiary and links peninsular Italy with its offshore islands.

Friends hope seabound crossings will prove easier going than the obvious turbulence at Alitalia.

THE WEEK AHEAD

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Berisford Intl., Plaisterers' Hall, 1 London Wall, E.C. 2.30
National Home Loans, Stationers' Hall, Ave Maria Lane, Ludgate Hill, E.C. 12.00
BOARD MEETINGS:
Finals:
Brooke Tool Eng.
European Assets Tst.
ML Labs.
Motor World
Interims:
Barnato Exploration
Bimec Inds.
Birkdale
Churchbury Ests.
EFM Smaller Co's Tst.
Flagstone
Haynes Publishing
Heritage
New London
Richmond Oil & Gas
TR Smaller Co. Inv. Tst.
Union Square
Wiggins

■ TOMORROW

COMPANY MEETINGS:
Johnson & Firth Brown, The Ramada Hotel, Blackfriars Street, Manchester, 11.45
Sidlaw Group, Stakis Earl Grey Hotel, Dundee, 12.00
BOARD MEETINGS:
Finals:
Caldwell Inv.
Interims:
Adscene
Colefax & Fowler

■ WEDNESDAY FEBRUARY 2

COMPANY MEETINGS:
Chemring Group, 1590 Parkway, Whiteley, Fareham, Hants., 2.30
BOARD MEETINGS:
Finals:
Fyffes
Interims:
Bucknall
First Spanish Inv. Tst.
TR City of London Inv. Tst.

■ THURSDAY FEBRUARY 3

COMPANY MEETINGS:
Merlin Intl. Props., Palace Hotel, Central Promenade, Douglas, Isle of Man, 12.00
BOARD MEETINGS:
Finals:
Fleming American Inv. Tst.
Interims:
Lazard High Income Tst.
News Intl.

■ FRIDAY FEBRUARY 4

COMPANY MEETINGS:
Eldridge, Pope & Co., Dorchester Brewery, Weymouth Avenue, Dorchester, Dorset, 12.00
M & G Group, Painters' Hall, Little Trinity Lane, E.C. 12.00
Vaux Group, The Swallow Hotel, Seaburn, Sunderland, 12.00
BOARD MEETINGS:
Finals:
Heavitree Brewery
Interims:
Birse Grp.
Black (Peter)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts *are not normally available until* approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Stg. Cap. 10⅞% Sb. Gtd. Bd. 2002 £1037.50
ABI Leisure 2.51p
Abtrust Prf. Inc. Inv. Tst. 2.90625p
Airflow Streamlines 10% Cm. Pf. 5p
Allied Irish Banks Sb. Prim. Cap. FRN $102.81
Auto Funding Class A FRN 1996 £164.82
Bank of Nova Scotia Flg. Rate Db. 2000 £150.66
Beattie (J) 6% Cm. Pf. 2.1p
Bentalls 5½% Cm. Pf. 1.925p
BOC 7% Gtd. Bd. 1997 $350.0
Bridport-Gundry 1p
Britannia Bldg. Scty. 13% Perm. Int. Brg. £65.0
British Airways 3.18p
British Dredging 8% Un. Ln. 1993/98 £4.0
Brit. Petroleum 8% Cm. 1st Pf. 2.8p
Do. 9% Cm. 2nd Pf. 3.15p
Campbell Soup $0.28
Canadian Imperial Bank of Commerce Flg. Rate Db. 2084 $195.92
Citicorp Banking Gtd. Flg. rate Sb. Cap. Nts. Oct.1996 $137.08
Do. Jan.1997 $137.08
Daiwa Int. Fin. Sb. FRN 2001 $975.90
Dartmoor Inv. Tst. 2.5p
Dewhirst 9¾% Cm. Pf. 4.875p
Dixons Cv. Rd. Pf. 2.5p
Drayton Recovery Tst. 4p
English & Scottish Investors 6¼% Db. 2023 £3.775
FNFC 7% Cv. Pf. 3.5p
Do. 6.3% Cv. Pf. 3.15p
Gen. *Motors Acceptance Corp of Canada FRN Nov. 1996 C$341.75*
Granada Cv. Pf. 3.75p
Guaranteed Export Fin. Gtd. FRN 1995 £276.77
Halifax Bldg. Scty. FRN 1996 (Ser.A) £23.70
Hanson 9½% Cv. Sb. Bd. 2006 £47.50
Haslemere Estates 10½% 1st Mtg. Db. 2016 £5.25
Hemingway Properties 7½% Cv. Un. *Ln. 2027 £4.150685*
Henderson Highland Tst. 1.4p
Hopkinsons 5¼% Cm. Pf. 2.625p
Iceland (Rep of) 14½% Ln. 2016 £7.25
Invesco 9% Cv. Un. Ln. 1995/2000 £4.50
Italy (Rep of) FRN 1997 $184.77
Ivory & Sime 2.25p
Land Sec. 10% Mort. Deb. 2030 £5
Do. 9% Conv. Bds. 2004 £234.375
Leeds & Holbeck Bldg/Soc. £66.875
Lowe's Cos Inc. $0.08
Lymton 10.25% Mort. Deb. 2017 £5.125
Macallan-Glenlivet 7% Cum. Prf. 3.5p
Malaysia 10¾% Ln. Stk. 2009 £5.375
Marley 6½% Cum. Prf. 2.275p
McKechnie 6% Cum. Prf. 2.1p
Mexico Fund Inc.$0.276
National Australia Bank FRN 1997 $195.92
National Westminster Bank Exchange. Cap. Secs. $0.366268
Do.Var. Rate Cap. $1,054.24
Nationwide Bldg. Soc. FRN 1998 £23.56
New City and Commercial Invs. Tst. £2.5626
NHL(1) Secs. Def. Int. Mort. backed FRN. 2028 £171.38
North Atlantic Smaller Companies Invs. Tst. Unsec. Ln. 2013 0.1p
Orix Ireland Fin. 8¾% Gtd. Nts. 1994 $862.50
Peabody Donation Fund 10.25% Mort. Deb. 2018 £5.125
Petaling Tin Bhd M$0.06
Pressac Hldgs. Cum. Prf. 5.25p
Rank Org. 4.125p
River Plate & General Invs. Tst. 5.9p
Royal Bank of Canada Flg. Rate Debs. 2005 $28.52
SCE Corp $0.355
Secured Loan Fin. Mort. Backed Flg. *Rate Notes. 2018 £98.19*
Do. Mezzanine Mort. Backed Flg. Rate Nts. £186.71
Seiyu 4.20% Bds. 2000 Y106,167
Seton Healthcare Grp. 1.9p
Shires Invs. 4.2p
Skipton Bldg. Soc. 12% Perm. Int. Bear. £84.375
Smith & Nephew 5½% Cum. Prf. 1.925p
Smith New Court Conv. Red. Prf. 3.25p
Smiths Inds. 11¼% Deb. Stk. 1995/2000 £5.625
S & U 31.5% Pref. 1.96875p
Temple Bar Invs. Tst. 7% Cum. *Prf. 2.45p*
Tesco 4% Unsec deep Disc'nt. Ln. £2
Texas Instruments $0.18
Throgmorton Tst. 7¼% Cum. Prf. 2.5375p
TMC P.I.M.B.S. First Fin. Ord. Class Nts. 2029 £152.72
TMC P.I.M.B.S. Fourth Fin. Ord. Class Nts. 2029 £90.21
TMC P.I.M.B.S. Sixth Fin. Ord Class Nts. 2029 £92.33
TMC P.I.M.B.S. Third Fin. Slow Pay Nts. 2029 £154.62
Tor Invs. Tst 10p
Toronto-Dominion Bank C$0.19
Transamerica Corp. $0.50
Transport Dev. Grp. 12½% Unsec. Ln. 2008 £6.25
TR High Income Tst. 1.5p
Trinty Hldg. 2p
Tunstall Grp. 4.5p
USF & G Corp $0.05
Wace Grp. Conv. Prf. 4p
Wells Fargo & Co. Flg. Rate Sub. Nts. 2000 $45.21
Whitbread 4½% Cum. Prf. 1.575p
Wilshaw 0.2p
Wolseley 9.75p

■ TOMORROW
Aberdeen (City of) 10.8% Red. Stk. £5.40
Acal 2.25p
Allied London Prop 10% Cum. Prf. 5p
American Telegraph $0.33
American Tst. Cum. Prf. £1.75
Attwoods A.D.R. 3.25p
Barclays Australia Int. Fin. 13% Gtd. Notes 1994 A$130
BBA Grp. 5% Cum. Prf. 1.75p
BellSouth Corp. $0.69
BLP Grp. 4p
BOC grp. 11.5p
Do. A.D.R $0.215
CALA 4% Cum. Red. Prf. 1.4p
Casket 0.4p
Computer Products Overseas Finance 7% Cv. Sub. Bds. 1999 $35
Cranswick 2.4p
Dalgety 4.85% Cm. Pf. 2.425p
Dunedin Income Growth Inv. Tst. 3.5% Cm. Pf. £1.75
Do. 11½% Db. 2016 £5.75
Fleming Income & Capital Inv. Tst. Income Shs. 1p
Do. Units 1p
Fleming Mercantile Inv. Tst. 1.675p
Do. 2.8% Cm. Pf. 1.4p
Do. 3.5% Cm. Pf. 1.75p
Do. 3½% Rd. Db. 1960/95 £1.75
Govett Strategic Inv. Tst. 5% Cm. Pf. 1.75p
Healthcare Operators Group 1 Class A Mtg. Backed FRN 2021 £99.79
Jenners, Princes Street Edinburgh 10% *Cm. Pf. 5p*
Law Debenture Corp. 3.85% Cm. Pf. 1.925p
Lewis (John) 5% Cm. 1st Pf. 1.75p
Do. 7% Cm. Pf. 2.45p
Lincoln National Corp. $0.41
Lynx Hldgs. 0.95p
Manchester Corp. 3% 1881 Rd. £1.50
Merchants Tst. 3.65% Cm. Pf. 1.825p
Metropolitan Water Board New River Co. 3% Db. £1.50
Monks Inv. Tst. 2p
National Home Loans Corp. Sec. FRN 1995 $1.44
Next 6% Cm. Pf. 2.1p
Do. 7% "A" Cm. Pf. 2.45p
Do. 10% "B" Cm. Pf. 1.75p
North East Water 4.25% Rd. Db. 2012 £2.125
D0. 5.25% Rd. Db. 2012 £2.625
Do. 8.25% Rd. Db. 1992/94 £0.700685
Do. 8.5% Rd. Db. 1992/94 £4.25
Do. 10.5% Rd. Db. 1992/94 £0.891781
Do. 10.5% Rd. Db. 1992/94 £5.25
Do. 12% Rd. Db. 2004 £6
NYNEX Corp. $0.59
Quebec Central Railway Co. 1st Mtg. 4% Db. Rd. £2
Randfontein Estates Gold Mining R1
Scottish Eastern Investment Tst. 9¾% 2020 £4.875
Do. 12¾% 2012 £6.1875
Shell Trans. & Trading Co. 7% Cm. 2nd Pf. 2.45p
Southwestern Bell $0.3775
Tinsley (Eliza) 1.96p
Torchmark $0.28
United Kingdom 4% Cons. Ln. £2
Western Areas Gold Mining R1.10
Whitbread 4½% 2nd Cm. Pf. 1.575p
Witan Inv. Co. 2.7% Cm. Pf. 1.35p
Do. 6¾% 1990/95 £3.375
Young & Co. Brewery 4.2% Cm. Pf. 2.1p
Do. 9% Cm. Pf. 4.5p

■ WEDNESDAY FEBRUARY 2
Consolidated Co. Bultfontein Mine R0.045
De Beers Consolidated Mines 40% Gross Cm. Pf. R1
Do. 8% Gross Cm. 2nd Pf. R0.04
Deelkraal Gold Mining Co. R0.10
Driefontein Consolidated R0.80
European Colour 6½% Cm. Ptg. Pf. 6.3p
Gold Fields Coal R0.80
Griqualand West Diamond Mining Co. Dutoitspan Mine R0.21
JLI 1.6p
Johnson & Firth Brown 0.35p
Kloof Gold Mining R0.60
Moorgate Inv. Tst. 2p
Walker Greenbank 6.5p Cv. Rd. Pf. 3.25p
Whessoe 5.8p

■ THURSDAY FEBRUARY 3
Bogod 0.1p
Do. "A" Res. Vtg. 0.2p
Chemring 6p
General Motors Acceptance Corp of Canada 11% Nts. 1994 C$110
Seiyu 3.80% 1999 Y99,222
Southern Radio 0.95p
United Kingdom 8½% Treas. 1994 £4.25

■ FRIDAY FEBRUARY 4
Blacks Leisure 0.75p
Boots Co. 4.9p
Cooper (Frederick) 1.5p
Critchley 2.6p
EFM Income Tst. 1p
Eldridge, Pope & Co. "A" Res. Vtg. 2.15p
Electric & General Inv. Co. 1.55p
Equity Consort Inv. Tst. 11.0625p
Do. Deld. 13.125p
Feedback 0.5p
Foreign & Colonial Smaller Co's. 0.7p
Greene King 3.85p
Lowndes Lambert 5p
Meyer Intl. 4.2p
Murray Enterprise 1.505p
New Zealand Inv. Tst. 0.6p
River & Mercantile American Cap. & Inc. Tst. 1.8p
Sidlaw 6.25p
Thames Water 7.4p
Tiger Oats 5.5% Gross Cm. Pf. R0.55
Warburg (S.G.) 6.5% Sub. Cv. Bds. 2008 £3.25

■ SUNDAY FEBRUARY 6
United Kingdom 9% Treas. 2012 £4.50

Architecture/**Colin Amery**

Smiting the Philistines

Before the Great Fire of London in 1666 there were about 100 churches in the City of London. After the fire Christopher Wren built, or supervised the rebuilding of, some 53 City churches. A number were demolished before the First World War and their sites sold to provide funds for new churches in the expanding London suburbs.

Curiously, it is the Bishops of London who have often been the enemies of the City churches. In 1919 Bishop Winnington-Ingram appointed a commission which recommended demolishing some 19 churches; and, despite public protest, the Church Assembly approved the measure in 1924. Mercifully, it was not approved by Parliament; the City of London Corporation presented a petition at the Bar of the House strongly objecting to the destruction of its churches.

As recently as 1972 the then Bishop of London proposed that nine churches in the City should immediately be declared redundant. Once again, it was the City of London that rejected this episcopal advice.

Last Friday another Bishop of London, the Right Reverend David Hope, introduced the report of a commission he set up in 1992 to settle the fate of the remaining City Churches. It is a frightening document, the more so because it is meant to be reassuring and practical.

The bishop has what he calls a "mission strategy" for London. He asked this particular commission to consider what current role there is for the City's churches within this strategy and to look at the "practical and financial implications" for the church.

The commission was very small. Its chairman was the judge and Lord of Appeal, Lord Templeman and the three members were Lady Wilcox, the Archdeacon of Oxford, and Viscount Churchill who has run the investment side of the Church of England Board of Finance for many years. The secretary to the board was a chartered accountant and it has reported to the bishop that, after receiving a fair amount of evidence it feels that only 12 churches in the City should remain "the Active Churches" and the remaining 27 should become "the Reserve Churches" – which really means hovering on the brink of redundancy.

Much of the report is inevitably to do with money and administration. Its recommendations are all for rationalisation and the ending of the autonomy so many of the churches and their incumbents in the City now enjoy.

The commission suggested that the City be divided into four parishes and that a City Dean be appointed to galvanise and organise them. But what underlies the whole report is a clear belief that the architectural and cultural fabric of these churches is a a positive nuisance to the Church of England and should be handed over to, and looked after by, someone else.

If the listed building rules and the heritage lobby were not so strong, I am in no doubt that this commission would like to have recommended the demolition of the 27 "reserve churches." The report says: "All Reserve Churches possess religious architectural, historical and cultural values and associations which make demolition unthinkable. There is however no demand for the Reserve Churches as parish churches. It would be possible for a Reserve Church to be locked up and merely maintained wind and water tight..."

The shadow of redundancy hangs over churches of the architectural quality of St. Mary Abchurch with its glorious shallow dome; St Stephen Walbrook – Wren's rehearsal in miniature for Saint Paul's; St. Peter Cornhill, with one of the most complete and wonderful church interiors in the City; and St. Mary at Hill with its late 17th-century high pews and central dome. Of course redundancy need not mean deconsecration and new uses can be found for historic churches, as has happened with varying degrees of success in cities like Norwich and York.

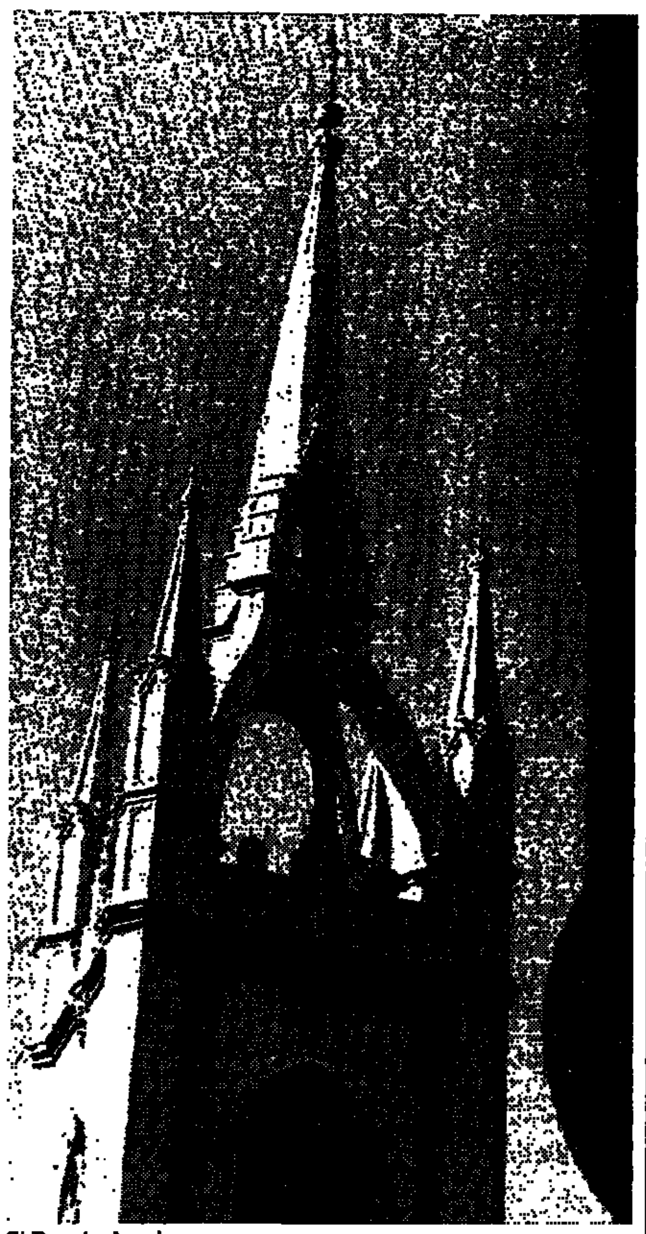
What is saddening about this kind of bureaucrat's report is that it sees God's temples only as awkward elements in a management plan. The City's churches offer intangible benefits of sanctuary and peace as well as tangible benefits of scale and beauty in a square mile that is over-developed and often ugly.

The working population of the City numbers about 300,000, about the same as the population of Venice, where there are around 170 churches. There is a natural realisation in Italy that churches are a part of life and that they have inspirational qualities, even if they are seldom formally used.

There is money for the City churches and the City itself is rich enough to spend £11m last year on the restoration of its own Mansion House. Surely the churches can represent more than the current ineptitude of an established church to organise its affairs. They are a unique collection of buildings, undervalued both culturally and as working churches. For too long they have been seen as a burden and not an opportunity.

All around us, especially among the young, there is a growing interest and concern for the spiritual and aesthetic values these churches represent. It would be sadly typical of the Anglican church to abandon many of its finest churches in the capital just as the signs of a spiritual revival are daily more visible. We need the churches, their beauty and their music and their ceremonial more than ever; what a moment to propose the virtual extinction of so many of the City of London's finest creations.

We live in truly philistine times...



St Dunstan's ruin.

Photo by Tony Andrews

The Place/**David Murray**

Star-struck Stockhausen

Music Moving Theatre is a small troupe, formed last year with the blessing of the composer Karl-Heinz Stockhausen. Their prime mover is the dancing clarinettist Ian Stuart; their aim is to devise performances of contemporary music, new or newly adapted, in which the musicians will also be actors and dancers. Their first exhibit is Stockhausen's *Tierkreis*, which had its London premiere at The Place on Thursday.

Tierkreis is a Zodiac cycle of twelve "melodies", one for each star-sign – originally composed for music-boxes, as deployed in his stage-piece *Musik im Bauch*. (Some readers will remember that work from the Roundhouse, in its palmy days long ago.) Those "melodies" were altogether unexpected from Stockhausen: concise and plain but elegantly built, immediately appealing, even haunting, and near-tonal to boot. Soon he made other versions of them for various forces, and MMT has followed his example.

Their version, which goes through the Zodiac clockwise from Aquarius and ends where it started, is for dancing clarinet, dancing soprano (Francesca Best) and bearded, firmly seated pianist (Paolo Alvares). In Michael Rolnick's choreography and designs it breathes the air of a pre-Raphaelite idyll, with an occasional whiff of the Isadora Duncans and numerous touches of whimsy. The music holds it all together, and is played and sung with pretty aplomb – even from the floor, supine or prone, or almost upside-down.

Tweeness threatens intermittently, but no more than in Stockhausen's own conceptions for solo artists back in the 1970s (stylised mime in Harlequin costumes and the like). MMT looks entirely faithful to that spirit.

Some viewer-hearers will find that the visual titivations make a charming foil for the music, which on its own might seem too small and special for pure concert-performance. Others, perhaps, will want to pelt the performers with boiled sweets from quite early on, until they have to flee the stage.

I plead critical detachment – but the star-sign "melodies" do have a curious magic about them, and at 40-odd minutes Stockhausen's cycle comes nowhere near outstaying its welcome.

Covent Garden/**Clement Crisp**

Mayerling

A cemetery at deadest night; sleeting rain; light glinting on the oilskins of grave-diggers as a coffin is lowered into the ground; a grief-stricken coachman, a priest and two mourners. Between this mysterious beginning to *Mayerling* and the same scene which ends the ballet, lies MacMillan's potent study of love frustrated, destroyed and destroying. Returned on Friday night to the Covent Garden repertory, it is the boldest among his full-length creations. The tragedy is political as well as emotional: MacMillan's choreography tells us about the Archduke Rudolf's despairs, and through them we learn of the disintegration of a family and a dynasty.

Friday's performance was scheduled to bring us Zoltan Solymosi as Rudolf and Leanne Benjamin as Mary Vetsera. Solymosi was injured at the dress rehearsal, and Adam Cooper was called in to take over a role he first assumed (in similar circumstances) during the Royal Ballet's European tour last summer. This unscheduled London debut thus became more than usually arduous - albeit Cooper was able to perform with Viviana Durante as Mary, with whom he has danced the role before. It is proper to view his interpretation as something like a dress-rehearsal under hair-raising conditions. That Cooper pulled it off at all is remarkable. It would be idle to pretend that the first scenes were anything but sketchy, yet he grew into the role, and the last act was proof of his right to the ballet. We saw here a terrible exhaustion of spirit, a man driven to the limits of emotional endurance. Pallid, distraught, Cooper made Rudolf a haunted figure, hunted to death by his own anguish.

Viviana Durante's Mary is a reading whose physical daring suggests the girl's sensual alertness. Durante shapes the choreography with a fine, true line, phrasing small scenes with delicacy (the little solo when Countess Larisch has taken her letter for Rudolf was exquisite), and giving the most impassioned sequences a broad dynamic sweep. It was also admirably responsive to Cooper's view of Rudolf. Among the ensemble I thought some dramatic fences were rushed and technical edges untidy, but Natalie McCann was very touching as Rudolf's hapless, prim bride, and Fiona Chadwick knows - and shows - that Larisch is the only woman to understand Rudolf.

The present run of performances will bring a welcome recording of the ballet for television, with Irek Mukhamedov and Viviana Durante. The staging now incorporates slight textual emendations that Sir Kenneth MacMillan was contemplating at the time of his death just over a year ago. The opening court dances are edited; the Empress Elizabeth no longer has a solo in the second act. Most important, the song in the Hofburg scene - cut in an earlier revival - is restored. It is a crucial moment for Rudolf and the very core of this extraordinary ballet.

Regionals to the fore

The rise of regional orchestras was one of the outstanding features of the 1980s. At the weekend the London concert-halls played host to a pair of orchestras, each of which comes from a self-proclaimed "second city" in its respective country – the NDR (North German Radio) Symphony Orchestra of Hamburg and the City of Birmingham Symphony Orchestra.

Both for its past and its present, Hamburg lays claim to be the cultural centre of Germany. The number of publishing houses and record companies which have their headquarters there testify to the city's importance in the arts, but its musical life struggles to rival Munich or Berlin (indeed, Berlin looks ever more dominant). It may well be that the NDR Symphony Orchestra was aiming for a higher public profile when it appointed John Eliot Gardiner as principal conductor in 1991.

With Gardiner's arrival there came a recording contract, which has ranged from Brahms and Dvořák to Britten and Janáček. Unfortunately, his tenure in Hamburg looks set to end this year, after a brief stay which is rumoured to have been difficult. It has not, however, been unproductive. At its Royal Festival Hall concert on Saturday the orchestra played with a combination of clarity and intelligence that had Gardiner's stamp on it through and through.

The programme consisted of two major romantic pieces: Rachmaninov's *Symphonic Dances* and Mahler's Fourth Symphony. Both are complex orchestral scores, in which Gardiner set out to make every note count. The razor-sharp clarity that he gets from a symphony orchestra is remarkable to the point where the Mahler became a bubbling cauldron of new and unexpected details. What I missed was sensuality in the Rachmaninov, charm in the Mahler, though Barbara Bonney was a delightfully bright-eyed soprano soloist in the latter.

'The Mahler became a bubbling cauldron of unexpected details'

While the Hamburg orchestra had been in Birmingham the night before, the City of Birmingham Symphony Orchestra had been in London, making one of its periodic appearances at the Barbican. Again there was a vocal soloist who gave a good account of herself, this time the mezzo Ann Murray, who sang Berlioz's tragic scena *La Mort de Cléopâtre* with a firm grasp of its potential. A few years ago she would have been over-parted in music like this. Now both the voice and the personality have grown in stature.

Something similar might be said of the orchestra, which was in good form under Mark Elder, its principal guest conductor. Their performance of Sibelius's First Symphony also had plenty of character, as Elder dug away at the rhythms to create climaxes that became nearly obssessive in their drive. It was very different from Simon Rattle's Sibelius with his orchestra, less atmosphere, more intensity. The programme noted that Rattle's recording was on sale upstairs – rather tactlessly, I thought.

Richard Fairman

Jonathan Lloyd, an English composer in his mid-40s still far too little known in the wider musical world, has fulfilled a commission from the London Philharmonic Orchestra in a way that should aid in righting the balance.

Committed Lloyd-followers long ago learned to relish his music above all for its wit – achieved not through farce, hyperbole or heavily jokey contrast, but through fresh and sometimes slyly hilarious use of a highly individual musical language, in which the popular and the recherché are jostled and blended with genial sleight-of-hand.

Lloyd's *Waiting for Gozo*, for the London Sinfonietta, and his recent score for the Hitchcock silent film *Blackmail* are just two examples of this "personal" quality at its most quirkily original. *Tolerance* – the LPO's new big-orchestra piece, given on Thursday its premiere at the Royal Festival Hall under Franz Welser-Möst – seems to me a captivating third, on an orchestral scale larger than most of his previous ensemble compositions.

The title is intended to suggest the "co-operative anarchy" that rules its scheme, with different groups of orchestral voices constantly snatching the limelight and then ceding it, and with a continual undercurrent of contrasted comment – sometimes wrily amiable, sometimes acerbic – from others. Snatches of Prokofiev-like bustle are tossed into the mixture, later to be exchanged for Tchaikovskian melodic sumptuousness and cell-like outbursts of Janačékian fractiousness.

The circus imagery that Lloyd also invokes in his programme note is particularly to be sensed in the percussion punctuation: ringmaster, as it were, of an unfolding entertainment made up of many interlocked diversions. What is actually achieved beneath the amusing variety of sounds and rhythmic patterns is an unexpectedly substantial 20-minute concerto for orchestra, one which tests each department in enjoyably taxing ways.

In their first go at *Tolerance*, Welser-Möst and the LPO got round the notes efficiently enough but only intermittently conveyed the wry good humour in their connection, and in Lloyd's use of quotation and pastiche. There is room here for greater interpretative freedom, sharper responsiveness: future LPO performances, of which I hope there will be a good number, must surely help these players.

Max Loppert

Union Chapel/**Antony Thorncroft**

A bad dream of the Sixties

Bad Boy Johnny and the Prophets of Doom is, apparently, a cult musical in Australia. That does not necessarily make it awful but somehow explains its superfluousness. It is like everyone's bad dream of a sixties happening.

For a start it is being presented in a church, the grand and monumental Union Chapel in Islington. This is supposed to make it daring and experimental but only ensures an awful acoustic, restricted acting space, and a slight feeling of unease.

Then it still believes in the sixties myth that rock and roll is the new religion, and a guitar hero the natural Messiah. Finally it takes to the witless limit that sixties freedom to debunk everything, to, well, swear in church.

Daniel Abineri, who with a credit for book, music, lyrics and direction can be named as the guilty man, has the sweet idea that by making his main protagonist, Father Maclean, a murderer, rapist, and swindler, his rock musical is going to frighten the horses. Throw in a Pope who comes on like a Mafia boss, and Abineri has stood civilisation on its head. With such naughtiness, who needs characterisation and plot?

Sadly, no one involved in this superficial romp seems to share Abineri's bravura. The cast are like hapless victims, stuck waiting for the next musical number. Luckily the songs are rather good, a pastiche of old fashioned guitar rock so currently out of fashion that it hits you with its novelty. There is also some under-used video play, but none of those psychedelic blobs, that excess of incense, which made earlier happenings in churches so much fun a generation ago.

Craig Ferguson (an alternative comedian of some note) works at being bad as Father Maclean but soon realises that, with a script trivialised into rhyming couplets, it is hardly worth the effort. Mark Shaw (singer with the band Then Jericho) looks butch enough as Johnny, the choir boy selected by Maclean as the next Popestar, but he would be more convincing if he actually played the guitar he cradles on stage. Only Stephen Marcus as a Pope enters into the tackiness of it all.

If you think the spectacle of a topless nun trying to give the Holy Father a heart attack as he sits before an altar is a dynamic *coup de théâtre*, go to *Johnny*. You also get a tall lady in white suspenders stalking our hero with a gun; the heavily predictable sight of Father Maclean turning his waters into wine; and a chorus dressed as school girls. Perhaps it could have been fun in a more liberated venue; perhaps the church still holds enough power over mind to reduce *Johnny* to tasteless posturing. This is really little more than an exercise in cheap publicity to promote an album of retro rock.

'The cast are like hapless victims, waiting for the next musical number.'

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden Two Gluck operas - Alceste and Iphigénie en Tauride - can be seen in tandem over the next three weeks, in new French-language productions staged by Achim Freyer and conducted by Martin Hengelbrock. Casts are headed by Anna Caterina Anatonacci (Alceste), Carola Höhn (Iphigénie), Gino Quilico (Orest) and Keith Lewis (Pylades). Repertory also includes Die Zauberflöte and Minkus' ballet Don Quixote (200 4762/2035 4494)

Deutsche Oper The main event this week is the revival on Sun of Aribert Reimann's 1992 Kafka opera Das Schloss, with Wolfgang Schöne as K (repeated Feb 8, 22, 26). Repertory includes Tosca, Madama Butterfly, an evening of John Neumeier ballets and a Stravinsky production with choreographies by Balanchine and Béjart (341 0249)

CONCERTS

Philharmonie Tonight, tomorrow: Bernard Haitink conducts Berlin Philharmonic Orchestra in works by Mozart and Mahler, with violin soloist Frank Peter Zimmermann. Feb 12, 13: Claudio Abbado conducts Mahler's Eighth Symphony (2548 8132)

Schauspielhaus Wed, Thurs: Carlo Maria Giulini conducts Berlin Staatskapelle in Brahms' Second and Fourth Symphonies (2090 2156)

■ NEW YORK

THEATRE

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of authors trying to write a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● Angels in America: Tony Kushner's epic two-part drama - about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 239 6200)

● Booth: Austin Pendleton's play about the 19th century actor Junius Brutus Booth and his son Edwin, portrayed by Frank Langella and Garret Dillahunt. A York Theater Company production, till Feb 13 (St Peter's Church, Lexington Ave at 54th St, 534 5366)

● My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as Professor Higgins and Melissa Errico as Eliza (Virginia, 245 West 52nd St, 239 6200)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

DANCE/OPERA

State Theater New York City Ballet presents two world premieres over the next two weeks - Peter Martins' Symphonic Dances (Rakhmaninov) on Thurs and Richard Tanner's A Schubert Sonata on Feb 10. Darcey Bussell will appear as guest soloist in Balanchine's Agon and Symphony in C on Feb 9, 10, 12 and 16. The company's winter season runs daily except Mon till Feb 27, with matinee and evening performances on Sat and Sun (870 5570)

Joyce Theatre Elisa Monte Dance Company is in residence this week. Feb 8-13: Lucinda Childs Dance Company (242 0800)

Kaye Playhouse Nikolais and Murray Louis Dance opens a two-week engagement tomorrow (Hunter College, Park Ave at 68th St, 772 4448)

Metropolitan Opera Tonight, Thurs, Sat: Le nozze di Figaro with Helen Donath, Ruth Ann Swenson, Dawn Upshaw and James Morris (in repertory till Feb 24). Tomorrow, Fri, next Thurs: Lucia di Lammermoor with Mariella Devia and Jerry Hadley. Wed: Aida with Sharon Sweet and Michael Sylvester. Next Mon: David Atherton conducts first night of Colin Graham's new production of Death in Venice, with Anthony Rolfe Johnson and Thomas Allen. Feb 14: revival of La fille du régiment with Kathleen Battle (362 6000)

CONCERTS

Avery Fisher Hall Tomorrow: Kurt Masur conducts New York Philharmonic Orchestra in works by Bach, Rossini, Handel, Britten and Rorem, with orchestra principals as soloists. Thurs, Fri morning, Sat, next Tues: Masur conducts works by Beethoven and Shostakovich. Feb 10: world premiere of Schnittke's Eighth Symphony. Feb 13: Mirella Freni and Nicolai Ghiaurov (875 5030)

Carnegie Hall Tomorrow and Thurs: Zubin Mehta conducts Israel Philharmonic Orchestra in Mahler's Second Symphony (tomorrow) and works by Sibelius and Brahms (Thurs, with violin soloist Itzhak Perlman). Wed: Vladimir Spivakov directs Moscow Virtuosi. Fri: Philippe Entremont conducts Dresden Philharmonic Orchestra in Brahms, Beethoven and Tchaikovsky. Sun afternoon: Dennis Russell Davies conducts American Composers Orchestra in Mexican programme. Sun evening: Mstislav Rostropovich conducts National Symphony Orchestra in New York premiere of Schnittke's Sixth Symphony. Next Mon: Edo de Waart conducts Minnesota Orchestra (247 7800)

JAZZ/CABARET

● Blues legend Taj Mahal can be heard tonight at Bottom Line, the big airy folk-and-rock club currently celebrating its 20th anniversary with a series of high-profile bookings (15 West 4th St, at Mercer St, 228 6300)

● Eartha Kitt is in residence at Carlyle Hotel, still keeping a feral grip on her audiences (Madison Ave at 76th St, 744 1600)

● Rosemary Clooney begins a month-long cabaret engagement tomorrow at Rainbow & Stars (30 Rockefeller Plaza, 632 5000)

● Joe Sample Trio begins an engagement tomorrow at the Blue Note jazz club and restaurant (131 West 3rd St, near Sixth Ave, 475 8592)

■ PARIS

OPERA/DANCE

Théâtre des Champs-Elysées *Robert Carsen's Aix production of* Handel's Orlando opens on Thurs for five performances conducted by William Christie, with cast headed by Patricia Bardon and Lynne Dawson (4952 5050)

Châtelet The world premiere of Michael Jarrell's monodrama Cassandre takes place on Fri, with further performances on Sat and Sun. David Robertson conducts Ensemble InterContemporain in a staging by Peter Konwitschny, starring Marthe Keller (4028 2840)

Opéra Bastille A new production of Salome, conducted by Myung-Whun Chung and directed by André Engel, opens on Sat with a cast headed by Karen Huffstodt, Leonie Rysanek and Monte Pederson. Tonight and Wed: final performances of Zimmermann's Die Soldaten, with cast headed by Franz Mazura and Lisa Saffer (4473 1300)

Opéra Comique Robert Carsen's Aix production of Britten's A Midsummer Night's Dream opens next Mon for six performances conducted by Steuart Bedford, with cast headed by James Bowman and Lillian Watson (4286 8883)

Théâtre de la Ville Anne Teresa de Keersmaeker's dance troupe Rosas is in residence from tomorrow till Sat (4274 2277)

Palais Garnier Ballet de l'Opéra de Paris presents a Nijinski triple bill from Feb 9 to 28 (4742 5371)

CONCERTS

Théâtre des Champs-Elysées Tonight: Yevgeny Kissin piano recital. Wed: John Eliot Gardiner conducts North German Radio Symphony Orchestra in works by Strauss, Weill and Rakhmaninov, with vocal soloist Ute Lemper. Fri: Charles Dutoit conducts Orchestre National de France in a Shostakovich programme, with violin soloist Gidon Kremer. Sun morning: Jean-Philippe Collard and Berlin Philharmonic Wind Quintet. Sun afternoon: Philippe Herreweghe conducts La Chapelle Royale in a Mendelssohn programme. Feb 14: Simon Rattle conducts Orchestra of Age of Enlightenment (4952 5050)

Salle Pleyel Tonight: Armin Jordan conducts Ensemble Orchestral de Paris in a Richard Strauss programme, including six Lieder sung by Felicity Lott. Wed, Thurs: Donald Runnicles conducts Orchestre de Paris in works by Britten, Prokofiev and Sibelius, with piano soloist Elisabeth Leonskaja (4561 0630)

Théâtre de la Ville Fri, Sat: Zoltan Kocsis plays piano music by Debussy, Schubert, Liszt and Chopin (4274 2277)

Châtelet Sun morning: Elena Bashkirova and Brigitte Engerer play piano music for four hands by Schubert, Liszt and Ravel (4028 2840)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Samuel Brittan

Evidence for a real recovery at last

Commentators on the economic scene have a habit of pointing to information gaps. But just occasionally it is possible to be more definite. For instance, it is certain, as far as anything ever is, that the British economy has at last embarked on a real recovery. By that I mean not merely positive growth, which we have had since the second quarter of 1992 and of which the Treasury makes so much, but growth sufficient to take up some of the slack that developed during the recession.

The fascinating aspect is that it is possible to infer something important from trends to which we can put only signs and not real numbers. The growth rate itself – now estimated at 2.1 per cent per annum for non-oil GDP – will not be known with any confidence for years to come. What we can, however, be reasonably sure of is that output is rising faster than trend.

There are two main ways of measuring the slack in the economy. One is from direct survey data. The CBI trends inquiry now shows that capacity utilisation is not merely a good deal higher than at the bottom of the recession, but above the average percentage recorded since the survey began well over 30 years ago.

Survey evidence of capacity covers mainly manufacturing, which is only a little more than a fifth of the total economy. It is also very likely that the high utilisation ratio reflects scrapping of capacity and not just the strength of recovery. So it is best to check with labour market data. Here we see that the jobless count has surprised nearly all observers by falling by 226,000 in less than a year. The increase in female part-time jobs does not explain the whole change. Other data, notably vacancies, suggest that the labour market has been tightening since the middle of 1993.

For any given state of price expectations, inflationary pressures are affected both by the amount of slack in the economy and the rate at which the slack is being absorbed. Core inflation – if we remove both mortgage interest and tax distortions – is not far from 2 per cent per annum. The upward trend in sterling is also an anti-inflationary influence. The one influence for inflation is the rate at which the labour market is tightening, and unused capacity has been taken up.

But starting from a deep recession, there is not yet a danger here. The remarkably subdued level of pay settlements indicates that the economy is still operating beneath the point at which inflation is liable to accelerate. What prudence does suggest is that the Treasury and the Bank should leave well alone and not try to stoke up the recovery by interest rate cuts – which oddly enough seem to have been demanded mostly by the anti-EC Right among ministers.

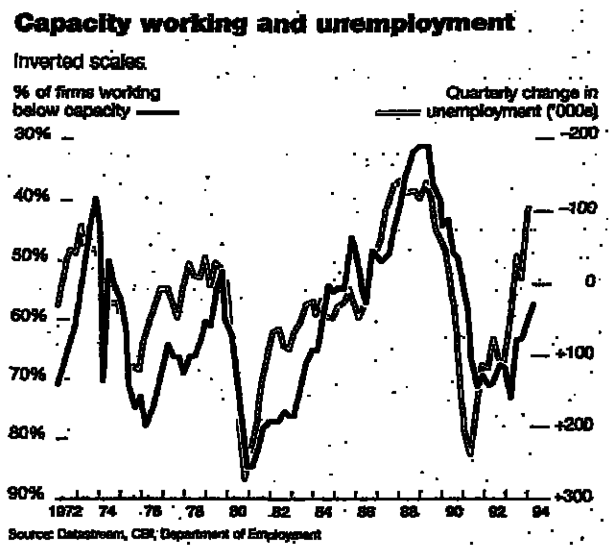
Clearly, the present rate of recovery cannot be guaranteed. What are the main threats? The first and well-advertised one is from the effects of this year's tax increases, amounting to more than 1¼ per cent of GDP. But fiscal squeezes just as large have in the past failed to slow down recovery once confidence has returned. It would be quite wrong to offset contractionary pressures from this source before there is any evidence of their impact.

The other potentially contractionary influence is an excessive rise in sterling. Here, however, the alarmists themselves are being over-influenced by the rate against the D-Mark. They should look at a chart in the CBI's own January Economic Situation Report, which shows that the great bulk of the depreciation of sterling since the UK left the ERM has remained intact, if measured by the comprehensive sterling index. This is better luck than the government was entitled to expect. Independent evidence such as that collected by the Bank of International Settlements suggests that sterling is slightly undervalued.

If a wall of money were to descend on London and sterling threatened to reach dizzy and unsustainable heights, then it would be right to cut interest rates, maybe drastically. The anti-European Right might then be torn between its dislike of exchange rate management and its lately discovered penchant for depreciation.

If I had to put it all on one of Winston Churchill's postcard-sized messages, it would be: "UK economy moving right way. For now. As Asquith used to say: best wait and see."

Capacity working and unemployment



Source: Datastream, CBI; Department of Employment

The price of a share in the cake

Richard Waters asks if structural problems in the US stock market are being obscured

Every business day, at 5pm Eastern Standard Time, a computer in a plain building in Phoenix, Arizona, goes into action. It does not take long for it to do its work: within seconds, orders from people who want to buy and sell shares in US companies have been matched together and deals struck, without human intervention.

At less than 700,000 shares a day, the two-year-old Arizona Stock Exchange accounts for a tiny fragment of the volume of trading that passes through the US stock market. It represents about 0.1 per cent of the combined turnover of shares traded on the New York Stock Exchange and Nasdaq, the US's screen-based market.

To some in the longer-established exchanges, however, the Arizona Stock Exchange, and others like it, pose a serious threat to the future of the US stock market by taking business away from so-called "primary" markets such as the NYSE and Nasdaq.

The critics have two complaints about the newcomers. First, some investors' orders may end up being executed in a market where they do not find the best price. Second, and worse, fragmentation may weaken the mechanism by which markets determine the best price for shares: increasingly buyers and sellers will no longer be coming together in a single forum.

The people who raise these concerns – the NYSE has been among the most vocal in recent years – do so in part out of self-interest. But such worries prompted the report last week by the Securities and Exchange Commission, the government agency which regulates the investment markets.

"Market 2000", the SEC's first broad study of the structure of the US equity markets for two decades, concluded that there is not much wrong with the way the markets are currently run. In the process, though, it may have skated over some of the structural questions worrying participants.

At first sight, there seems to be little wrong with the way the US stockmarket is operating. The volume of shares traded across the country is far higher than in the fabled trading frenzy which seized financial markets in the mid-1980s. On the NYSE, the number of shares traded in 1992 crept back above the previous, 1987, peak to 52bn; last year it soared to 67bn and shares worth $2,250bn changed hands.

The brokers, dealers and trading systems which act as intermediaries to this activity have reaped the benefits. Whether in the form of trading fees, dealing spreads ($⅛ a share is typical) or commissions (big institutions generally pay six cents a share), their income has been surging ahead, along with the volume of trading.

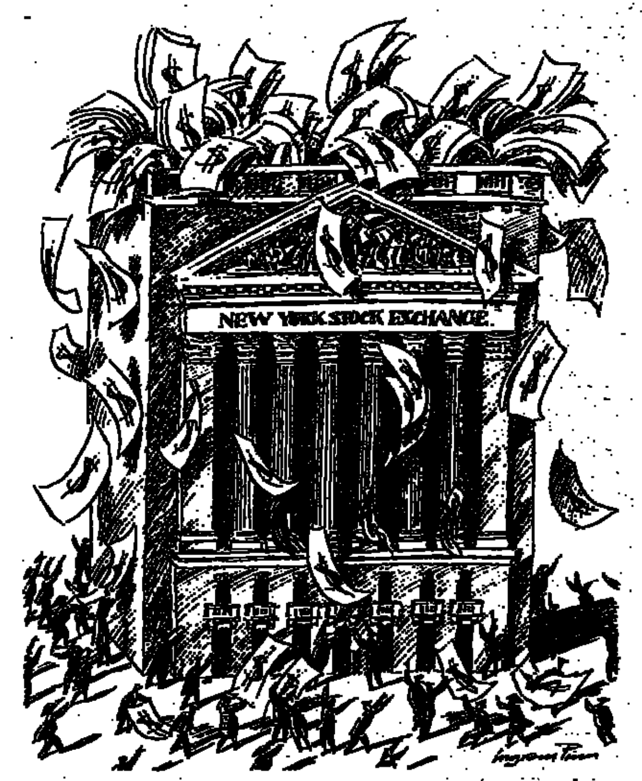
Competition has intensified for this business – particularly as technology has increased opportunities for automating large parts of the share-trading process. Technology has also blurred the distinction between broker/dealers and trading systems. Some of the biggest private automated systems are owned by securities houses – for instance by CS First Boston in New York.

But the argument of the critics is that the competition is threatening the integrity of the US stock market.

Certainly, some of the methods used by dealers and trading systems to win business may be at the expense of customers. One way to attract more orders is to pay the person who brings them to you. Some dealers pay a cent or two a share to brokers who put business their way (known as "payment for order flow"). Another way is to refund part of an institutional investor's commissions by supplying him with equipment such as Reuters screens or other services (known in the US as "soft dollars", and in the UK as "soft commissions").

This is big business: soft dollar "refunds" run at more than $1bn a year. As the commission pie keeps getting bigger, more and more people are trying to cut out a slice.

Such practices raise serious questions about whether inducements interfere with a broker or institutional investor's duty to get the best deal for their customers. However the SEC, in its report last week, seemed to disagree – provided there was full disclosure of the practices being used. It concluded that the inducements should not be banned. But it is planning to bring forward new regulations this year to force the release of more information about such arrangements.



However, automated trading systems, such as the Arizona Stock Exchange, have other ways of attracting business.

The report may have skated over some of the questions worrying participants

They allow buyers and sellers of shares to deal directly with each other, avoiding the dealer's spread. To the extent that it has brought down the cost of trading and forced established markets to improve their services, this has benefited investors. Though the NYSE is worried about the impact on its business, the SEC concluded that fledgling new markets should be nurtured with a light regulatory touch and, if anything, given greater opportunities to compete with the primary markets.

The SEC has, however, not assuaged a far-reaching fear of established players in the US stock market: that if the volume of share trading is divided among an increasing number of arenas, the efficiency of the market will eventually be undermined. Trading on the NYSE still determines the price of, say, IBM shares. Other markets take its prices as a reference when handling trades. But if many of the orders to buy or sell IBM shares never reach the NYSE, its effectiveness in setting the most appropriate price will be lessened.

So far, the extent of the fragmentation is limited, though use of private trading systems is growing fast – the volume of shares traded on them rose by 60 per cent in 1992 and then doubled again last year. They still account for only a small fraction of the total: 1.4 per cent of trading in NYSE stocks last year, and 13 per cent of Nasdaq stocks. The NYSE still handles 79 per cent of the trade in the shares it lists, and customers are generally happy with the service. "I like the NYSE – it's a fine auction market and costs are OK," says Mr George Pirrone, head trader at mutual funds group Dreyfus.

At the same time, the NYSE has itself encouraged the fragmentation of markets. Half of its trading (up from 17 per cent 20 years ago) does not take place on the exchange's floor at all but is carried out by big securities firms who match buy and sell orders from their own customers, or who take big blocks of shares from sellers and parcel them out to other investors. These trades only nominally "cross" on the floor of the exchange.

One way to overcome the potential problems of fragmentation as the US stock market expands, is through linkages. Some electronic links already exist: the ITS, a link between the US's seven exchanges, Nasdaq and the Chicago Board Options Exchange, handles about four per cent of trading in NYSE shares.

To reinforce such safeguards, the SEC last week proposed rule changes which would go some way towards forcing a greater dispersal of information within the US stock market about possible orders from buyers and sellers of shares.

But while the commission wants to to give the stock market a nudge towards a more open, competitive trading environment, the tone of its report leaves it unclear how hard it will push for reform. Changes will, in part, require amendments to the "primary" exchanges' own rules. It is not yet evident how willing they will be to make such adjustments – nor how much pressure the SEC will try to exert on them to do so.

In expressing a desire not to disturb what it calls the "carefully maintained equilibrium" in the markets, the SEC may have avoid antagonising many of the middlemen who make a living out of trading shares. But the SEC may have missed an opportunity to establish a framework to cope with the upheavals in market structure that competition and technological advance – and perhaps a future downturn in the volume of transactions – will bring.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No way to behave

From Mr Kees J Kempenaar.

Sir, Richard Gourlay's otherwise excellent guide to recovery for survivors of the recession (Management: The Growing Business, January 25) contains one lamentable anachronism. The only way "... is to be able to turn round to the customer and stick two fingers up" represents precisely the attitude most likely to extinguish any glimmer of improved prospects.

We all have customers. What is called for from suppliers is to take the lead in developing healthy and commercially sustainable partnerships with their customers. This requires dedication to foster trust, and a mutual understanding of requirements and ambitions.

Fingers should be put to work, not stuck up at customers.

Kees J Kempenaar,
Calle Avila 77,
Valldoreix,
08190-Sant Cugat,
Barcelona, Spain

Now some aid for UK science

From Dr E G Nisbet.

Sir, As a scientist, I would like to express my thanks to the former chancellor and to the Bank of England for their sterling support of science in the former Soviet Union. A significant chunk of their spending to support the pound last year was, I gather, channelled via the generosity of Mr George Soros to this purpose. Over the past month or so my colleagues and I have been deluged with requests from the International Science Foundation to review research proposals, many excellent, from science groups in the former Soviet states.

These proposals are typically tightly budgeted requests for modest sums, to carry out first-rate science. In cost-effectiveness this is probably the best aid yet given to the former Soviet states. By sustaining the scientific morale of eastern Europe, it does far more than an opera house of bankers for reconstruction and development. Perhaps the former chancellor will sing some more during his ablutions.

The present chancellor might even consider similar aid to UK science. Here, research is at present mostly carried out by harassed post-doctoral fellows on short-term contracts and with no prospects.

Those who are lucky enough to have jobs as lecturers and professors are too busy responding to quality audits, selectivity exercises and other aspects of the UK's Stalinist regime of accountability and control (something not suffered by our colleagues in the west). At our college, they closed down chemistry recently for lack of interest. At an annual salary of £17,000 for a bright young lecturer, with an Oxbridge first, a doctorate and post-doctoral experience, or £30,000 for a high-flying 45-year-old professor (no cars, no fringe benefits), a slight diversion of the £23bn motorway money to aid science would go far to aid the UK's recovery. It is too much to ask for a lane off the M25, but could we at least have a hard shoulder?

E G Nisbet,
Holly Cottage,
Middle Hill,
Englefield Green,
Surrey TW20 0JP

Time for more circumspection

From Dr George M Georgiou.

Sir, It's a bit late in the day for Joe Rogaly to shed crocodile tears ("It is a moral issue", January 13). His apparent revulsion at the vulgar materialism resulting from 14 years of Thatcherism and the concomitant lack of morality in British politics would have sounded far more convincing had he taken a more critical attitude towards the Tories throughout the 1980s.

Mr Rogaly is lucky. With the benefit of hindsight he can take the moral high ground without the loss of his job. However, no amount of preaching will eradicate the misery of the millions whose misfortune it was to be guinea pigs in a 14-year experiment in naive laisser faire economics.

I hope Mr Rogaly will not hesitate to use his column to be more circumspect when the Tories begin expounding their next zealous conversion to whatever economic religion they discover from books written long, long ago.

George Georgiou,
7 Patroklou Kokkinou,
Flat 21, Nicosia, Cyprus

Different pay deals for Channel train drivers

From Mr Lew Adams.

Sir, Due to a misunderstanding, your report, "Aslef wins 30 per cent pay rise for Channel train drivers" (January 13) confused two agreements reached by my union.

Annual salaries of between £20,500 and £25,000 have been agreed for 55 Eurostar drivers working for the BR subsidiary, European Passenger Services. They will take passengers from Waterloo International through the Channel Tunnel to Paris and Brussels.

A separate deal has been reached with Railfreight Distribution under which drivers of freight trains will receive a tunnel allowance of £90 a week, double the current driver only allowance, on top of their BR basic weekly wage of £210. They will take trains through the tunnel as far as the terminal in Calais. We anticipate that such drivers will be able to earn about £400 a week in total.

Aslef publicised these agreements, which compare with drivers' current average earnings across British Rail of about £18,000, to show that we intend to negotiate the best possible settlements for our members. Last year's Aslef conference accepted that we may not be able to keep all drivers on a uniform rate of pay nationwide when we face the possibility of having to talk to some 41 different train operating companies under the privatisation plans.

Lew Adams,
general secretary,
Associated Society of Locomotive Engineers and Firemen,
9 Arkwright Road,
London NW3 6AB

Memory is not very good

From Mr R S Rollings.

Sir, With reference to your excellent review of Portable Computing (January 26), PCMCIA meant Personal Computer Memory Card Manufacturers International Association on page 1; Personal Computer Memory Card International Association by page 2; Personal Computer Memory Card Industry Association on page 5; and by page 6 you had shortened it to PCMIA.

PCMCIA does, of course, mean "People Can't Memorise Computer Industry Abbreviations"!

In fact the meaning of PCMCIA is Personal Computer Memory Card International Association and it has largely replaced the old JEIDA standard. JEIDA? ... Don't ask!

R S Rollings,
1 Caedmon Close,
York YO3 0HS

Hitch in flight to Cyprus outside airline's control

From A Demetriou.

Sir, We refer to Mr Skapinker's article (Business Travel: "Long day's journey", January 10) regarding the disruption caused to British Airways' flight from Heathrow on December 27 1993 and Cyprus Airways' flight from Heathrow on December 28 1993, as a result of the civil servants' strike in Cyprus.

This lightening strike occurred on a bank holiday late in the evening and there was insufficient notice.

Cyprus Airways and British Airways, (which acts as the handling agents of Cyprus Airways), the two affected airlines flying from London Heathrow to Cyprus, followed the same policy for their passengers.

Although the strike was outside our control and the airline is not liable, we would like to apologise to Mr Skapinker and indeed to all of our customers for any inconvenience caused and assure them of our best attention when they next fly with us.

A Demetriou,
regional manager,
northern Europe,
Cyprus Airways,
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29/31 Hampstead Road,
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Monday January 31 1994

China and the Gatt

Napoleon once advised the world to let the Chinese giant sleep since "when he wakes he will move the world". By now it is too late. The question for the world is how to respond to the quake. On balance, the best choice is to facilitate rapid market-oriented development of the Chinese economy. One implication is that China should be accepted into the General Agreement on Tariffs and Trade, on strict economic conditions.

There is no denying, however, that China presents problems. The country has three inhabitants for every two in western Europe, North America and Japan combined. Its economic growth ran at over nine per cent a year between 1980 and 1991 and could continue at such a rate for decades. It also brings together a powerful comparative advantage in labour intensive manufactures and easy access to capital and skills. On the minus side, its economy continues to be distorted by the legacy of planning and controls.

Last but not least, China is a corrupt despotism. The notion of China as an economic colossus under anything like the present regime is bound to cause concern. But rapid export-oriented industrialisation is likely to create strong pressures for political change in China, as it has in other east Asian countries. This is why the west should focus its attention on sustaining market-oriented reforms. China's application to join (or, as it would argue, rejoin) the Gatt presents an opportunity for achieving just that.

Urgency

The Gatt's working party on China's membership was established in 1988. But the Tiananmen Square massacre and the Uruguay round put these discussions largely on hold. Now a degree of urgency has been injected into the negotiations, partly because this is an important piece of unfinished business and partly because China is ensured of becoming a founding member of the prospective world trade organisation only if the negotiations on Gatt accession are completed this year. Otherwise, there would have to be new negotiations over China's accession to the WTO.

China, would like Gatt entry on standard conditions, consisting of tariff concessions alone. Other Gatt contracting parties want special provisions, including a selective safeguards clause, a special procedure for review of the reforms and greater transparency in the policy regime.

Meanwhile, the US is making the grant of most favoured nation treatment, itself the most fundamental Gatt principle, hostage to improvements in human rights. Technically, it would be possible to combine Gatt membership with such bilateral conditions. But they would render membership largely meaningless, since the US would not be in a secure contractual relationship with China.

Economic dialogue

There are good reasons, however, for the US to modify its approach. Withdrawal of MFN treatment would be economically damaging to the US itself. It would also harm the economic dialogue begun by President Clinton at the Asia Pacific Economic Co-operation (APEC) forum in Seattle last November. Bilateral pressures designed to corner Beijing and force concessions have been shown not to be the most effective way to secure political change in China. Gatt, by contrast, offers a less tense but still powerful multilateral framework for improving China's economic policies in a more market-oriented direction.

China's membership of the Gatt should therefore be accepted, but subject to a safeguards regime that could be modulated to the state of economic reform. This would bring China into what is expected to become one of the most important bodies in the global economy, as befits the country's size and potential.

Some will argue that China cannot be a Gatt member in good standing, because it would be politically impossible to offer equal treatment to imports from so large a non-market economy. That is an argument not against accession, but in favour of conditional accession.

The west cannot ignore gross violations of human rights in its relations with China, or any other country. But its trade relations should focus on the policies that affect trade. If trade and economic issues move in the right direction, the politics will follow.

Reforming the welfare state

The cost of the welfare state is one of the most challenging policy issues facing the world's leading economies. Increases in welfare spending have been a significant factor in the budget deficits which burden almost all the 24 states in the Organisation for Economic Co-operation and Development. As the UK government is learning, failure to control such spending leads eventually to the political odium that accompanies higher taxes.

Demographic trends mean that reform cannot be long delayed. The number of people over 65 in OECD countries will almost double by 2050. At the same time, lower birthrates mean that there will be fewer people of working age. In 1990, there were five people of working age for each one over 65: in 2050, there will be fewer than three. The rising cost of pensions and healthcare for the elderly will fall on a shrinking band of people at work. They are unlikely to find acceptable the increases in taxes needed to pay the bill.

The techniques being deployed across the developed world to control welfare costs vary according to national circumstance. But in the FT's series on welfare state reform around the world, which concludes on the opposite page today, it has been possible to discern some common themes.

One is a greater emphasis on persuading individuals to make their own provision. In the UK, persuasion is open, with incentives to take out personal pension schemes. In other European countries, such as Germany, state pension benefits have been reduced, encouraging individuals to do more for themselves. Public welfare spending will inevitably take a larger share of national income unless individuals can be persuaded to save more for their retirement.

Part-time work

A second theme is reform of the labour market to increase effective working life. One way is to encourage more opportunities for part-time work for older people and those with home responsibilities; this requires looser regulation. Another is to raise the retirement age so that individuals may work for as long as they wish, and continue paying taxes longer to support the welfare state. In the current recession, employers often retire older workers before pension age to reduce their staff. But demographic pressures will soon require them to retain their older staff for as long as possible.

Thirdly, user charges will also come to play a greater role in welfare services, particularly in health. Such charges can foster responsibility among users by providing an incentive not to waste resources. And as in President Clinton's health reforms, asking patients to share the cost of treatment can encourage them to exert downward pressure on charges.

Safety net

In making these sort of reforms, the nature of the welfare state will inevitably change. No longer will the aim be to support citizens "from the cradle to the grave". Instead, the welfare system will become more of a safety net which helps those who are unable to provide for themselves. This withdrawal of the state in favour of individual provision should be seen as a natural step in societies which are becoming more affluent and consumers more choosy.

Such a transformation is not easy. It can only happen gradually, since those currently in work must continue to pay the pensions of those already retired while building up their own savings. And there is a danger that a more targetted welfare system creates disincentives to save. Greater compulsion to save for old age may be required as the state withdraws from universal pensions.

However, it is in ensuring that the welfare system does not reduce the efficiency of labour markets that the greatest challenges are faced. There is an inexorable decline in opportunities for full-time unskilled labour and a growing demand for part-time and flexible workers. Participation in this changing labour market can be discouraged if the withdrawal of means-tested benefits combines with the taxation system to create a poverty trap with very high effective tax rates.

Finding ways to ensure that this does not happen is not only the key to avoiding welfare dependency. It is at the heart of the economic success which is necessary to underpin any form of welfare state.

Daniel Green on the strategies adopted by European drug companies to cope with cuts in state spending

Sweeteners for a bitter pill

When Boehringer Mannheim, the German healthcare company with sales of almost $1.5bn a year, realised how much cuts in German drug spending would damage profits, it decided to move the headquarters of its pharmaceuticals division on the Rhine to Connecticut in the US.

Mr Mark McDade, chief operating officer, is determined to be gone by April. "Operating profits in Germany fell by 20 per cent in the first half of last year. We have to reduce costs. This move will save money." About 1,500 of the 9,660 jobs on the company's German payroll will be cut as a result of the move.

Emigration may not be on every European drug company's agenda. But executives across the Continent are making some tough decisions in response to curbs in spending on drugs by governments seeking to cut healthcare costs.

Official figures for 1992, the latest available, show prescription drugs worth $50bn were sold in the five biggest European markets – France, Germany, Italy, Spain and the UK. Three years earlier, the figure was $36bn, in real terms.

Almost all of this cost was borne by the public purse, through schemes which reimburse or subsidise pharmacists and doctors supplying medicines to patients.

The bill is rising as an ageing population demands more healthcare, and medical advances offer new treatments for ailments ranging from migraine to Aids.

But recession has blunted both the will and ability of governments to foot the bill. Moreover, a combination of pressures has led to a reappraisal of the basic principle of universal provision on which many of the European welfare state systems have been based.

In an effort to control costs, Germany has cut its national health drugs spending from DM26bn (£10bn) in 1992 to DM22bn in 1993. Italy this month reduced the number of drugs eligible for subsidy, saying it wanted to cut the national drugs bill by 30 per cent. The French government last week signed a deal with drugs industry representatives that will cut the growth in drug sales from more than 8 per cent a year to 4 per cent, according to estimates by Goldman Sachs, the securities house. Last year, the UK government imposed a 2½ per cent cut on the prices of drugs the NHS buys. And Spain is considering toughening controls on drug prices.

The effect has been startling. Growth in pharmaceutical sales in Europe, which averaged 11 per cent a year from 1987 to 1991, fell to just over 8 per cent in 1992 and zero last year, according to Lehman Brothers, the stockbroker.

The impact on corporate profits will be apparent in coming weeks as the annual results season for European pharmaceutical companies gets under way. An indication of what lies in store came last week when full-year results from Merck, the US drugs company, showed 7 per cent sales growth in the US but only 1 per cent in Europe.

With the impact of reforms in the UK, Italy and France still to be felt, and with further price controls likely in Spain and outside Europe, drugs industry executives have not waited for profit figures before taking action. What they are doing varies by company and country, but there are four themes:

- First, they are cutting payrolls and closing sites to reduce operating costs. In Germany, Hoechst is eliminating more than 20 per cent of its 1,400 jobs at its pharmaceuticals head office.

Bayer, where profits on drug sales in Germany for the first nine months of 1993 were down 50 per cent on the same period a year earlier, plans to cut almost 30 per cent of its 1,100-strong pharmaceutical marketing division.

The company is also beset by troubles in its chemicals operations. "I cannot rule out targeted job cuts in 1995, but it will not be on the level seen so far," said Mr Manfred Schneider, chairman, last week.

Glaxo of the UK, Europe's biggest drugs company, is cutting staff in Germany and Italy. And Fisons last week said it would cut 1,000 jobs, almost 15 per cent of the workforce, and partially close its biggest plant – at Holmes Chapel in Chesire in the UK.

Other companies have closed entire plants. Wellcome of the UK, for example, has shut one in Belgium and another in the UK.

Meanwhile, Switzerland's Ciba is reorganising its entire pharmaceuticals manufacturing operations in France, Spain, Italy and Belgium at a cost of SFr250m (£114.1m). The plan involves closing general-purpose plants and replacing them with large specialist centres. The company intends to close, by summer 1994, two multi-product sites in France and others in Spain, Italy and Belgium, and replace them with new plants in France, Spain and Italy, each of which will specialise in particular products. The programme is only half complete, but Ciba is already claiming production cost savings of 20 per cent.

- Second, pharmaceutical executives are responding to pressures by developing new marketing strategies. The objectives are to promote drugs which governments pay for and to focus on hospitals or doctors with the greatest buying power.

Swiss company Sandoz is one company taking this approach. It "will promote products that are least affected by the healthcare reforms", says Mr Urs Baerlocher, chairman of Sandoz's pharmaceutical division. Products least affected are usually those that are unique and have little competition. Spending on its drugs Sandimmune, used in organ transplants, and Clozaril, used to treat schizophrenics, has emerged relatively unscathed from healthcare reforms.

- Third, industry executives are redirecting research and development – away from programmes producing "me-too" drugs, which grab a small slice of an established market for a particular treatment, towards programmes most likely to produce high-selling drugs.

In the UK, Italy and Germany, only a handful of products in each therapeutic area is being given official blessing for state support. Others are ignored.

"Nobody is now going to develop the 10th beta-blocker [a heart treatment] in the hope of getting a few per cent of that market," says Mr Steve Leventhal, Ciba's head of central product management. "Governments just won't reimburse it."

There is a corresponding emphasis on genuine innovation, which offers the possibility of new niche markets or even monopoly products. Boehringer Mannheim is following this route. "We have reduced headcount and are focusing on fewer areas of R & D," says Mr McDade.

Another option is to bolster efforts on generics – drugs whose patents have expired (usually after 20 years). Competition means prices are low, making them attractive to government health administrations.

- Finally, European drug companies are seeking alliances with counterparts elsewhere, notably in the US, to import expertise in cost control, research and management of generic products.

Last October, Hoechst paid $546m for a 51 per cent stake in US generics company Copley, the company's first North American corporate deal. Moreover, Glaxo and Wellcome last year signed deals with the US drug company Warner-Lambert to sell generic products internationally. Last week, Bayer said it was in the final stages of negotiating an alliance with a US generics company.

Glaxo now has ties with no less than 12 small biotechnology companies, mainly in the US, while Swiss company Roche has more than 20 such deals.

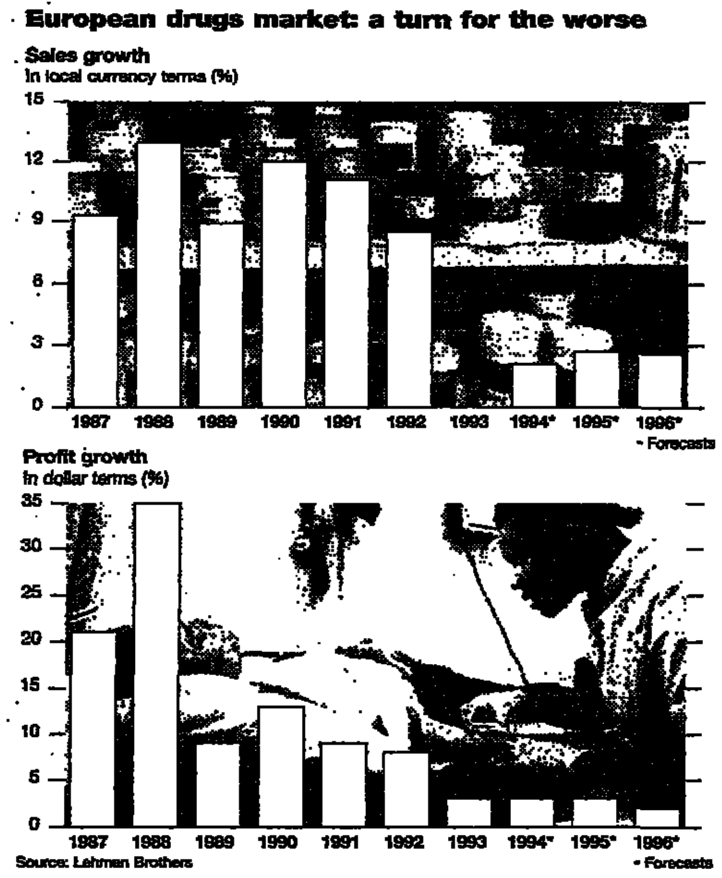
For Mr McDade of Boehringer Mannheim, the strategy now is simple. "We are going to build collaborations. We are not going to build bricks and mortar any more."

These efforts to create a leaner European pharmaceuticals industry may, however, be inadequate. Government anxiety about escalating healthcare costs looks set to spread to more European countries.

Privately, and sometimes publicly, industry executives acknowledge they could do more. "Every drugs company has fat to cut," says Mr Patrick Egan, Fisons chairman.

Ciba's Mr Leventhal believes the industry's past profitability concealed structural weaknesses. "Production costs have in the past not been a significant consideration. One key to success now will be productive efficiency."

There is still resistance to drug price controls within the industry. The European Commission is debating whether national drug pricing controls contradict the spirit of the single market. But governments are bound to try to control costs. Pharmaceuticals companies, *it seems*, must be prepared to restructure.



Odd man out in global welfare state

MICHAEL PROWSE on AMERICA

In the White House "war room" aides reportedly punched the air with their fists. The cause of the excitement? President Bill Clinton had just taken one of the boldest steps in his political career. In his State of the Union address, he waved his pen at members of Congress and threatened to veto any healthcare legislation that did not guarantee insurance cover for all Americans.

The incident is a reminder that policies (such as universal health cover) taken for granted for decades elsewhere remain controversial in the US. In Europe, the political challenge is to find ways of easing the crushing financial burden imposed on public sectors by long-established "cradle-to-grave" welfare states. There is little stomach for extending government services; the quest is rather for politically acceptable cuts in public provision.

The US, by contrast, is still in the building phase. In addition to providing health cover for 37m uninsured Americans, Mr Clinton envisages a larger government role in labour markets. He wants to replace a passive unemployment insurance system with an activist "re-employment service" of the kind pioneered in Sweden. Rather than simply handing out cheques, public agencies would assess workers' skills, organise training and provide assistance in job search. As with healthcare reform, this is part of a broader effort to restore a sense of personal economic security.

An extension of the US welfare state is feasible only because social policy has been so circumscribed in the past. Americans grumble about high taxes, but their fiscal burden is still relatively modest. Total government spending accounts for only about 34 per cent of gross domestic product against an average of 52 per cent in Europe. Public spending is under better control because the US relies more heavily on private provision (the majority of Americans still get health insurance through private employers) and because it never entirely lost confidence in the 19th century ideal of self help.

Most Americans accept that a safety net for children, the elderly and the disabled – the "deserving poor" – is needed. But the concept of "income support" for anybody who falls on hard times remains alien to the culture. Unemployment insurance lasts only six months (except during recessions); thereafter single adults are on their own. Welfare support is restricted mainly to families with children, usually those headed by single parents.

Public debate about social policy, however, is strangely skewed. Querying the vast sums lavished on the elderly – including well-to-do senior citizens – has become politically taboo. There is virtually no discussion of the merits of Social Security, the federally run pension system that costs taxpayers $300bn a year. Nobody seems remotely concerned by actuarial reports showing that this pay-as-you-go system could become insolvent early in the next century once baby-boomers start retiring.

Pundits are instead driving themselves into a frenzy over welfare support for inner city families, a financially insignificant component of the US welfare state that threatens to overshadow the healthcare debate. Total spending on Aid for Families with Dependent Children, the main welfare prop, is only $23bn a year, or about two per cent of the federal budget. The average payment under the programme is a princely $377 a month, little more than half the level 20 years ago after allowing for inflation.

Welfare touches a nerve, however, because it is widely regarded as having contributed to a host of chronic social problems, including sharply rising illegitimacy rates, violent crime and drug abuse. Ever receptive to public opinion, Mr Clinton has promised to attack the "culture of dependency" by unveiling tough welfare reforms this spring. He plans to build on the 1988 Family Support Act, which introduced a limited form of "workfare," by setting a strict two year limit on welfare cheques.

The hope is that most welfare recipients would be placed in private sector jobs before the time limit expires; the remainder would be required to perform community work. This, at least, is the theory although many experts doubt that it can be realised. It would require heavy investment in training and involve the creation of perhaps an additional 1.5m public sector jobs, which would hardly further the administration's objective of "re-inventing" government by reducing bureaucracy.

In urging Congress to enact reforms of healthcare, welfare, and job training – not to mention criminal sentencing policy – Mr Clinton is emerging as the most socially active president since Lyndon Johnson. But whether he will succeed in significantly reshaping social policy remains uncertain.

If Mr Clinton obtains a guarantee of universal health cover, it is likely to be phased in over many years. And the role of government will certainly end up more restricted than envisaged in the original White House plan. In the longer run, America's welfare state is likely to remain lean, patchy and relatively inexpensive by world standards – despite Mr Clinton's activist agenda.

This is the last in a series analysing the pressures on the welfare state across the world. A reprint of all 15 articles, in A4 format, will shortly be available for £12. For details, contact John White, Marketing Department, Financial Times, on 071-873 3547

OBSERVER

Wrong sort of wax

■ Has Britain's recently married food minister, Nicholas Soames, taken his eye off the ball? A set of draft regulations about mineral hydrocarbons are bubbling to the surface in Soames' department and are causing a bit of a stir amongst his buddies in the landed gentry.

Soames' officials have long been concerned about the harmful effects of these compounds in foodstuffs. The plan is to ban almost all of them, but to continue to permit their use in defeathering waterfowl, coating cheese and in chewing gum.

All fine and dandy, except that the only two kinds of mineral hydrocarbon to be allowed – high melting point microcrystalline wax and high sulphur microcrystalline wax – are not, according to those who are supposed to know, remotely suitable for the aforementioned processes.

Cover-up

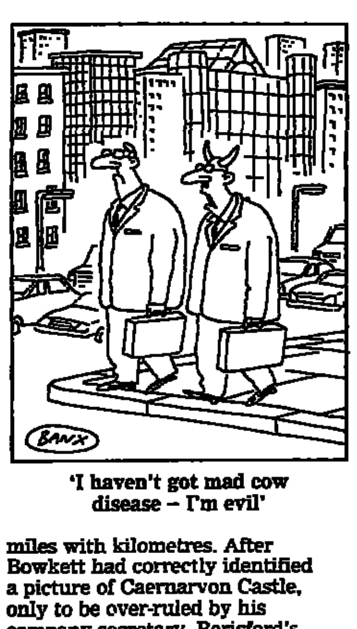
■ Fresh signs that the accountancy profession is beginning to buckle under the strain of too many members breaking too many regulations. Accountancy magazine, the official organ of the Institute of Chartered Accountants in England and Wales, has decided to stop publishing, for reasons of space, the names of those knuckle-rapped by its disciplinary committee. Unless readers object in large numbers, "consent orders" for minor misdemeanours will no longer even be hidden in small print at the back of the magazine.

Quislings

■ Hope that Alan Bowkett and his team at Berisford International, poised to take over the troubled Magnet business, are better prepared for today's shareholder meeting to agree the deal, than they were when quizzed last week.

Observer hears that whilst Berisford's top team might be good at financial figuring, it is a bit short on general knowledge, judging by its performance at a corporate quiz night organised by headhunters Whitehead Mann last Thursday. Rather foolishly, Berisford fielded its top team of chief executive Alan Bowkett, Denis Mulhall, finance director, and company secretary, Barry O'Connor, rather than a bunch of unknowns from its personnel department.

The Berisford big-wigs got into trouble early on when Bowkett (geography "A" level with distinction) admitted that he had no idea of the length of the Amazon and his finance director confused miles with kilometres. After Bowkett had correctly identified a picture of Caernarvon Castle, only to be over-ruled by his company secretary, Berisford's position in bottom place was invincible.



'I haven't got mad cow disease – I'm evil'

Aiming low

■ Granada is resorting to some hard-hitting copy in its battle to take control of LWT. Its latest circular contains "10 facts LWT would rather you didn't know…".

That's the kind of editorial trick Kelvin Mackenzie used to pull when he was editing The Sun, Britain's raciest daily tabloid. Come to think of it isn't Mackenzie in the Granada camp these days by virtue of his new job managing British Sky Broadcasting, partly-owned by Granada?

Granada insists that the 10 facts about LWT were all its own work and not a straight lift from The Sun's editorial style book. Fortunately for LWT, Granada's knocking copy is bound by the rules of the Takeover Panel rather than the Press Complaints Commission.

No show Willie

■ Five months after moving to London on the Bank of England's insistence following HSBC's takeover of Midland, Sir William Purves is hardly a familiar part of the City scenery. But his determination to maintain a low profile reaches new heights this month. He is not going to turn up to his own bank's results presentation at its headquarters.

Sir William has opted to present the results in Hong Kong, leaving the honours in London to John Bond, chief executive. All perfectly proper, given that HSBC has a slightly higher capitalisation on the Hong Kong exchange than in London. But perhaps rather telling about the city in which he feels most comfortable, central bank formalities aside.

Rate for the job

■ Weekend reports that MPs are threatening to boycott the BBC because it has stopped paying them for their TV and radio appearances, seem a bit wide of the mark. After all the BBC's new policy has been in place for almost a year and it doesn't seem to have led to any drop in the number of MPs wanting to grab the BBC microphones.

It's surprising that the BBC did not call the MPs' bluff earlier. Only a few mavericks, such as former defence minister Alan Clark, refuse interviews because there's not enough money on the table.

Mudslinger

■ Field Walton, the former Leicester prop-forward and Cazenove stockbroker who took over as chairman of Manchester brokers Henry Cooke Lumsden a few months ago, seems to be getting the right sort feedback from the local business community. "Dealing with auditors," a local merchant tells him, "is like wrestling in mud with a pig. You think it's all pretty ghastly – then you find the pig's enjoying it."

FINANCIAL TIMES
Monday January 31 1994

South Africa comes closer to ethnic conflict

Inkatha and white right defiant on all-race poll

By Patti Waldmeir in Ulundi, KwaZulu

South Africa stepped closer to ethnic conflict at the weekend as black and white right-wing groups demonstrated their opposition to April's all-race elections, increasing the pressure on government and the African National Congress to accommodate their views.

Both the mainly Zulu Inkatha Freedom party and the white right Afrikaner Volksfront (Afrikaner People's Front) stressed they would take no final decision on participating in the poll until after today's planned talks with the ANC and government.

But supporters from both organisations, meeting at separate weekend conferences, made clear their rejection of the elections. Militant AVF supporters forced Gen Constand Viljoen, the moderate AVF leader, to leave the stage when he proposed to a gathering of 10,000 Afrikaners in Pretoria that they should vote in the April 27-29 election.

Gen Viljoen, who has battled to find a negotiated settlement, was shouted down by an angry crowd of supporters of the neo-Nazi Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement).

Ultra-militant AWB leader Eugene Terre'blanche replaced him at the podium. He insisted that Afrikaners would vote only in a separate election for their own homeland, although moderate AVF leaders later scaled down this demand, calling for Afrikaners to vote on a separate ballot paper on the same day as the national elections.

The incident could undermine talks between the ANC and the AVF over a homeland: the outline deal struck between the two sides in recent weeks was put to the conference and rejected, raising doubts over whether Gen Viljoen and other "reasonable right" leaders can deliver to their constituents.

After the conference, at which the AVF declared symbolic independence from South Africa by electing its own interim representative council to rival the transitional executive council, Gen Viljoen pleaded for flexibility from the ANC and government.

Both Gen Viljoen and Inkatha leader Chief Mangosuthu Buthelezi clearly hope that weekend demonstrations of popular support for an election boycott will concentrate the minds of ANC leaders, who have failed to offer significant compromises to accommodate the right's demands for regional autonomy and "self determination" of the Zulu and Afrikaner people.

Inkatha's conference in Ulundi, the KwaZulu capital, yesterday adopted a resolution calling for further talks, but Chief Buthelezi made clear that his party would boycott the poll unless constitutional changes were made.

Nelson Mandela appealed to right-wing whites on Sunday to avoid any action which could provoke conflict in South Africa, Reuter reports from Rustenburg.

The African National Congress leader was speaking during a tour of the western Transvaal province, following a rally by right-wing Afrikaners on Saturday which demanded that violence remain an option in their quest for self-determination.

Exclusive phone network for Saudi Royals

By Alan Cane

The Saudi royal family has secretly commissioned a 10,000-line mobile telephone network for its exclusive use from Siemens, the German electronics group. In doing so it has not sought the approval of the Saudi telecommunication authorities and has annexed frequencies earmarked for the country's public portable telephone service.

The network, constructed in only three weeks, was first used for the December meeting of the Gulf Co-operation Council in Riyadh, where each delegate was presented, on arrival, with a portable GSM telephone. The GSM standard has been adopted by European countries for the next generation of portable phones.

Siemens confirmed that the system had been constructed for the Royal Palace and that its technicians were extending the network to 30,000 lines covering Riyadh, Jeddah, Dammam and other Saudi Arabian cities.

Mr Helmut Muller, the German group's director of international sales for mobile networks, said the intention was to spread use of the system outside the Royal Family. The whole system would be completed by April.

He rejected suggestions that the network would cost between \$40m and \$50m but would not be drawn on the price. A 50,000 line system built for Kuwait cost \$30m, according to industry analysts; that suggests that if \$40m was close to the real price for the Saudi system then the royal family paid heavily for the speed and secrecy with which the system was constructed.

The royal network was uncovered last week by a journalist specialising in telecommunications. Mr Damian Peachey happened to switch on his mobile phone while staying in Riyadh and was puzzled to see a message on the screen that the network was live but he was forbidden to use it. He knew Saudi Arabia had no public mobile phone network, but the message suggested there must be a cellular radio system operating in Riyadh on the GSM standard.

Telecommunications, particularly mobile telephone systems,is a touchy subject in Saudi Arabia where the demand for mobile telephones is huge. There is a mobile network of sorts, based on obsolete analogue technology and extending to only 20,000 lines, 4,000 of which are reserved for the use of the Royal Family.

GSM, based on computer technology where messages are transmitted as a series of electronic pulses, is the technology of choice for the Gulf states. It allows users to "roam" freely and use their phones across national boundaries. Siemens has already installed GSM systems in Kuwait, the United Arab Emirates and Morocco.

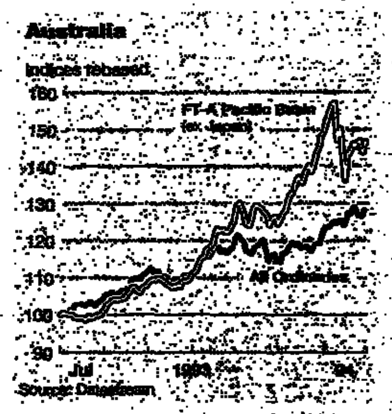
THE LEX COLUMN

UAP breaks cover

UAP has again cast its shadow across the boardrooms of UK insurers and set pulses racing in the equity market. Last week's comments by Mr Jacques Friedmann, UAP's new chairman, were not the first to spell out the company's ambition. A slice of the UK non-life insurance market would be a strategic fit with interests in continental Europe. While it is difficult to believe that UAP would be willing to launch a bid before its privatisation in the spring, an acquisition thereafter cannot be ruled out.

The small stake in Sun Alliance acquired last summer by TransAtlantic, the investment company which UAP jointly controls with Liberty Life of South Africa, could provide a toehold. The remarkable performance of TransAtlantic's shares in recent weeks – up from 320p to 440p since early December – would be a promising foundation from which to raise additional capital. That said, UAP's partnership with TransAtlantic was a convenient way of settling an uncomfortable rivalry with Liberty Life over the ownership of Sun Life. In the long term it might prefer full control of its investments.

Neither is it clear that UAP would be getting good value by making a hostile bid for Sun Alliance, which is already trading at a substantial premium to net assets. A smaller, agreed deal might offer better value. Since UAP does not have to worry about upsetting UK insurance brokers, buying into the fast-growing direct insurance sector must be a tempting option. It is less clear that the owners of the three largest direct writers – Royal Bank of Scotland, Royal Insurance and Winterthur – would want to sell.



Source: Datastream

Australia

No one can accuse Australian equities of poor performance in 1993, but their rise of around a third did lag the striking gains elsewhere in the Pacific rim. That raises the question of how the market will fare if international investors really tire of the fancier markets such as Hong Kong. Part of the answer is that an end to the liquidity flows from the US and Japan which have bolstered south east Asian markets would certainly dull the prospects for Australia as well. But international investors are still underweight in Australia, where markets could fare relatively better. Gains to date have not left industrial issues particularly expensive in relation to expected earnings increases of some 25 per cent in the current fiscal year. Resources issues could outperform if recovery in the industrial world brings the prospect of rising commodity prices.

Australia's long recession forced companies to cut costs to the point where they are markedly more competitive. That has helped contain the current account. Measured as a proportion of output, last year's deficit of some 3.5 per cent of GDP was the lowest since 1980 even though exports have not yet been boosted by higher commodity prices. With inflation still low, there is also some prospect of a stronger Australian dollar.

The biggest appeal should be Australia's resource-based economy. On past experience this should come into its own if a turnround in both the Japanese and European economies brings synchronised recovery in the industrial world in 1995. Admittedly, coal prices remain depressed, but metals are already starting to attract attention, as the response to Mercury Asset Management's international mining fund showed. This argument still assumes, though, in stark contrast to the latest US GDP figures, that there can be no meaningful recovery without a spot of inflation in its train.

Trafalgar House

Today's auction of the rump of Trafalgar House's rights issue marks a radical departure for the London equity market. By turning its back on the established system – whereby shares are placed with institutions at a discount to the market price – Swiss Bank Corporation has attracted brickbats. Such placings have long been a source of cheap stock for institutional investors and means of patronage for stockbrokers.

As a relative newcomer to the London market with a run of aggressive deals to its credit, Swiss Bank is already out of favour with corporate financiers of the old school. But if the auction results in shares being sold closer to the market price, Trafalgar's shareholders – even those who declined to take up their rights – stand to benefit. The main reason for caution in principle is that auctioning a very large rump of shares from a badly failed rights issue could arguably result in a more volatile market than the old softly-softly system. Since Trafalgar's share price has risen by more than 25 per cent in the last month, though, the rump is likely to be modest. If that turns out to be the case, the proof of the pudding will be in the price.

Banking

A neat coincidence of timing brings Spain's government-sponsored rescue of Banesto at precisely the moment that Continental Bank, salvaged by a comparable US effort in 1984, disappears into the arms of BankAmerica.

Since Banesto is also likely to be swallowed up, one lesson is that a fight for survival, even one as successful as Continental's, damages a bank's chances of remaining independent.

There is another lesson, too. Both Continental and BankAmerica came through their difficulties of the 1980s by focusing on the things they did best – nationwide corporate banking in Continental's case, regional retail banking at BankAmerica.

In principle, the two together make a stronger, more diversified bank than either alone. In practice, unusual management determination may be needed to avoid a consequent loss of focus. And the knock-down price in relation to assets at which BankAmerica is acquiring Continental reflects the market's misgivings about the long-term profitability of wholesale banking.

Banesto should have such problems. Despite J.P. Morgan's cajoling, the old management had not steeled itself to settle for doing a few things well. The new managers probably have the inclination but they may not have the time; the rescue plan seems set to hand control to a rival in a matter of months. Selling the deposit guarantee scheme's stake so promptly risks crystallising losses at the low point of the bank's fortunes. Banesto shareholders, diluted by 75 per cent, may not be happy, but all Spanish bank depositors are likely to be losers, too.

Balladur unveils measures to boost economy and jobs

By John Ridding in Paris

Mr Edouard Balladur, the French prime minister, yesterday unveiled a package of measures designed to stimulate France's struggling economy and curb the rise in unemployment.

The measures are designed to encourage consumer spending and provide support to industries, including the motor industry, which have been badly hit by France's economic downturn. They reflect concerns about an unemployment rate in excess of 12 per cent and a desire to strengthen the country's weak economic recovery.

The principal elements of the package, which was constrained by a budget deficit targeted at FFr300bn (\$50bn) this year, include an easing of the rules relating to employees' profit-share savings schemes.

Under the proposals, employees will be able to withdraw funds from these schemes ahead of the usual five-year deposit period if they are used to buy cars or for housing-related expenditure. Insee, the national statistics office, estimates that about FFr80bn is currently held in such schemes.

The motor industry will receive additional assistance through an innovative scheme to give a FFr5,000 allowance to motorists who trade in cars more than 10 years old and buy a new vehicle. This allowance appears to apply to all makes of car, irrespective of their country of origin.

Last year, car sales in the French market fell by 18 per cent to 1.72m, the lowest annual figure since the mid-1970s.

Mr Balladur, stressing that yesterday's measures did not mark a departure from existing economic policy, outlined additional plans to stem the rise in unemployment.

Implementation of the government's five-year employment plan, which was announced last year, will be accelerated. Companies and unions were urged to bring forward negotiations to discuss how to increase flexibility in working practices and to extend part-time work and training schemes.

In addition, the government said it would encourage employers to increase the number of service sector jobs.

Mr Balladur said the economy's performance was improving and confirmed the government's forecast of 1.4 per cent growth in gross domestic product this year after an estimated contraction of 0.8 per cent last year. But many private sector economists are more pessimistic. The 2.1 per cent decline in consumer spending on manufactured goods in the final quarter of last year has raised fears that economic activity declined after recovery in the July-September period.

Japan plans \$125bn stimulus package

Continued from Page 1

Kubota, director of the Economic Planning Agency. It is also considering expanding an existing five-year programme of public works, worth Y430,000bn, devised by former prime minister Mr Kiichi Miyazawa, officials were quoted in the press as saying.

This week's package would be the fourth and possibly largest pump-priming plan in 14 months. The previous three, worth a total of just over Y30,000bn, have so far failed to rekindle growth, despite recent signs of a pickup in a few sectors.

The package means Mr Hosokawa will have evidence of attempts to stimulate domestic demand when he meets US President Bill Clinton in Washington on February 11.

US-Japanese trade relations have been strained by failure to agree on Washington's demands that Tokyo should accept numerical targets for reducing its trade surplus. The Japanese government knows Mr Clinton is under pressure to use sanctions if talks break down.

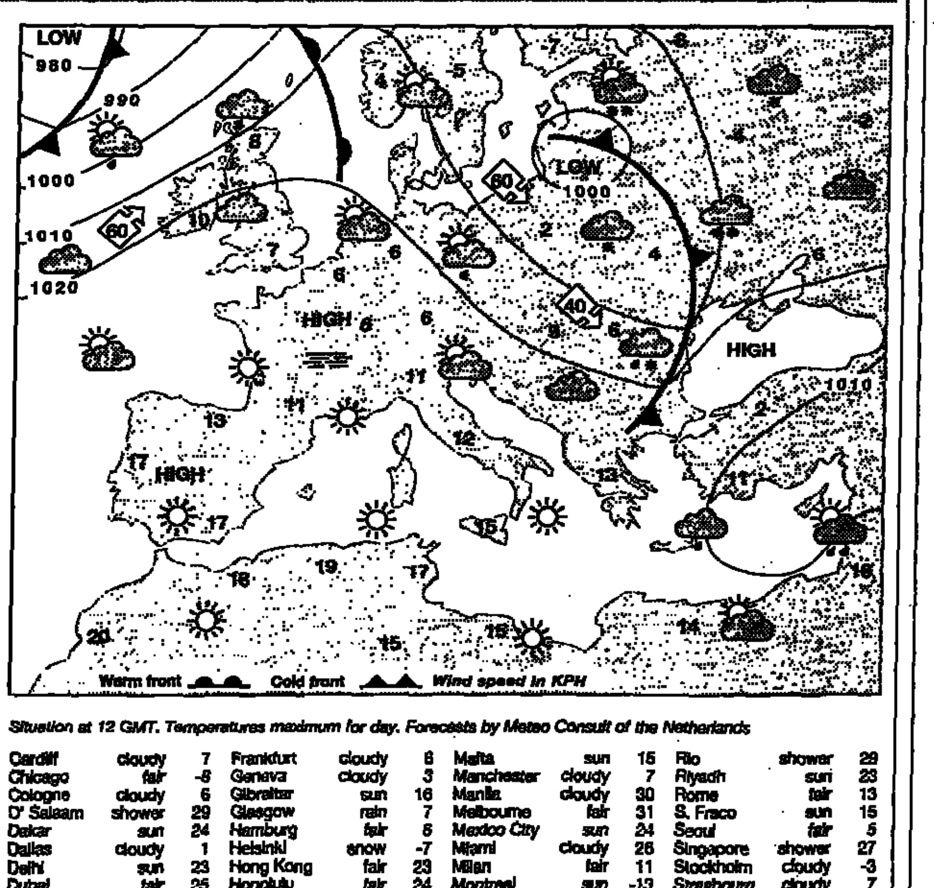
FT WEATHER GUIDE

Europe today

A storm moving from Scandinavia to Russia will bring widespread snow to Finland, the Baltic States and Russia and strong winds south-east of Sweden. In its wake, a cold north-westerly flow will keep temperatures below normal from Denmark to Bulgaria. An active low pressure system approaching Iceland will draw warmer air over the British Isles, while associated rain will affect Ireland and Scotland. Meanwhile, high pressure centred near the Azores will extend to northern France, bringing mainly sunny and rather mild conditions to the western Mediterranean and central Europe. Temperatures will rise well above 15C on Spanish coasts despite some morning frost. The eastern Mediterranean will have a final day of showery and windy conditions.

Five-day forecast

Tuesday will be settled and mainly sunny over large areas of Europe although the UK will be very rainy and windy. The rain, followed by cooler conditions and showers, will affect all Atlantic seaboard countries from Wednesday. Scandinavia will stay unsettled. The eastern Mediterranean will be mainly dry and sunny from Wednesday with temperatures above 15C.



Warm front Cold front Wind speed in KPH

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Belfast	rain	6	Cardiff	cloudy	7	Frankfurt	cloudy	8	Malta	sun	15	Rio	shower	29
		Celsius	Belgrade	cloudy	10	Chicago	fair	-8	Geneva	cloudy	3	Manchester	cloudy	7	Riyadh	sun	23
Abu Dhabi	sun	25	Berlin	cloudy	6	Cologne	cloudy	6	Gibraltar	sun	16	Manila	cloudy	30	Rome	fair	13
Accra	fair	29	Bermuda	cloudy	24	D' Salaam	shower	29	Glasgow	rain	7	Melbourne	fair	31	S. Frsco	sun	15
Algiers	sun	19	Bogota	cloudy	21	Dakar	sun	24	Hamburg	fair	6	Mexico City	sun	24	Seoul	fair	5
Amsterdam	cloudy	7	Bombay	fair	32	Dallas	cloudy	1	Helsinki	snow	-7	Miami	cloudy	26	Singapore	shower	27
Athens	sun	12	Brussels	cloudy	6	Delhi	sun	23	Hong Kong	fair	23	Milan	fair	11	Stockholm	cloudy	-3
B. Aires	fair	32	Budapest	cloudy	9	Dubai	fair	25	Honolulu	fair	24	Montreal	sun	-13	Strasbourg	cloudy	7
B.ham	cloudy	7	C.hagen	fair	6	Dublin	cloudy	8	Istanbul	sun	7	Moscow	snow	-11	Sydney	fair	24
Bangkok	fair	33	Cairo	cloudy	14	Dubrovnik	fair	13	Jersey	cloudy	9	Munich	rain	7	Tangier	sun	18
Barcelona	sun	14	Cape Town	fair	28	Edinburgh	cloudy	7	Karachi	fair	29	Nairobi	fair	28	Tel Aviv	shower	14
Beijing	fair	3	Caracas	cloudy	27	Faro	sun	17	Kuwait	cloudy	22	Naples	sun	14	Tokyo	rain	9
									L. Angeles	sun	22	Nassau	cloudy	29	Toronto	fair	-13
									Las Palmas	sun	20	New York	snow	-1	Tunis	fair	17
									Lima	cloudy	26	Nice	sun	12	Vancouver	sun	7
									Lisbon	sun	15	Nicosia	shower	14	Venice	sun	9
									London	cloudy	7	Oslo	cloudy	2	Vienna	cloudy	9
									Lux.bourg	fair	4	Paris	sun	6	Warsaw	sleet	3
									Lyon	fair	4	Perth	shower	25	Washington	fair	-1
									Madeira	fair	18	Prague	cloudy	5	Wellington	fair	18
									Madrid	sun	12	Rangoon	sun	32	Winnipeg	sun	-18
									Majorca	sun	16	Reykjavik	rain	4	Zurich	cloudy	7

FINANCIAL TIMES

COMPANIES & MARKETS

Monday January 31 1994

Groups examine Ferranti defence electronics arms

By David White and Paul Taylor in London

About eight companies from the UK, France and the US have emerged as serious candidates to take over the bulk of Ferranti International's defence electronics operations.

Ferranti's administrative receivers have drawn up a short-list of companies which have expressed interest in acquiring 70 per cent or more of the collapsed group which has been in receivership since early December when the General Electric Company withdrew a 1p-a-share rescue bid.

The list, compiled by Mr Murdoch McKillop and Mr John Talbot, the administrative receivers from Arthur Andersen, is understood to include GEC, British Aerospace, Thorn EMI and Thomson-CSF of France. The list of potential corporate purchasers is also believed to include one other French defence concern and two US companies.

A team of seven Ferranti managers, led by Mr Phil Burton, Ferranti's director of marketing, is also preparing a bid for most of the Ferranti operations. Last week the management team began seeking equity finance to back either a full management and employee buy-out, or the management/employee element of a consortium bid in conjunction with a corporate partner from the UK or overseas.

The Ministry of Defence would not stand in the way of either a corporate or a consortium bid and has indicated that it would not raise competition objections. However, in the event of a French bid it is likely that the MoD would seek a joint-venture solution with a British partner.

Thomson-CSF already has first refusal rights on the 50 per cent it does not already own in the profitable Ferranti-Thomson Sonar Systems UK joint venture, which is not affected by the receivership. It is believed to be close to a deal to sell the additional shareholding on to GEC.

Such a move would satisfy the MoD which wants to see a 50 per cent British share maintained in the joint venture company since it regards sonar technology as crucial to national security. It would also lead to a new European sonar grouping.

NFC chiefs clash over culture

By Andrew Bolger in London

An extraordinary clash between the chairman of NFC and his predecessor marked the annual general meeting of the UK-based transport and logistics group.

About 1,110 shareholders heard Sir Peter Thompson, 65, who led an employee buy-out in 1982, accuse his successor, Mr Peter Watson, of putting the group's traditional values at risk.

Sir Peter particularly criticised the board's failure to seek shareholders' permission in advance of the group's £263m ($394m) rights issue last month, which will dilute the proportion of equity held by employees.

He asked Mr Watson, who succeeded him in 1991: "Why did you find it impossible to seek permission from the people who have supported you all these years?"

Mr Watson said advance permission had not been sought because of the possible adverse effect of a deal on NFC's share price, but denied that the "continuing evolution" of the group posed any threat to its traditional values.

On NFC's trading, Mr Peter Sherlock, chief executive, said there was encouraging evidence of a steady if unspectacular return to growth in the US and UK, although not in mainland Europe.

Overall revenue in the group's UK Logistics business in the 12 weeks since October had grown 5 per cent compared with last year. The grocery and consumer sector had started well, but the industrial sector remained difficult.

Banesto rescue plan agreed

By Tom Burns in Madrid

Banco Bilbao Vizcaya (BBV) and Banco Santander have emerged as the contenders to control Banesto, the Spanish banking group in which the authorities imposed a new management last month, according to a rescue plan agreed by the Bank of Spain and the private banking sector.

The plan will provisionally make the Deposit Guarantee Fund (FGD), which is financed the Spanish banks, into Banesto's chief shareholder by underwriting a Pta180bn ($1.2bn) capital increase for the troubled bank.

Before the end of the year, the FGD will publicly auction its Banesto equity and the share offer will be constructed to allow a domestic institution to become Banesto's dominant shareholder.

BBV and Santander are singled out by analysts as the only possible strategic buyers of Banesto stock among the domestic institutions. Neither bank has officially declared an interest but both are understood to have spent the weekend assessing the rescue plan.

Banesto is due to shrink dramatically in size prior to the FGD's capital increase.

The bank will allocate all its Pta244bn reserves to provisions, raise an additional Pta49bn towards its financing requirement by reducing the par value of its individual shares from Pta700 to Pta400 and write down over time a further Pta27bn in provisions.

In all, Banesto new management has undertaken to provide Pta320bn towards the finally agreed figure of Pta605bn needed to restore the bank's balance sheet. The private banks and the Bank of Spain will jointly, and on an equal basis, provide Pta285bn to finance the acquisition by the FDG of outstanding non-performing loans which Banesto is unable to provision.

Mr Luis Angel Rojo, governor of the Bank of Spain, said: "Banesto will be profitable before the end of the year and I hope there will not be any more frights."

The governor, who removed Banesto's board on December 28, originally said Banesto had overvalued its assets by Pta503bn. Banesto's new management subsequently put the shortfall at Pta675bn before reducing it to Pta605bn.

If the plan goes ahead as agreed, the FDG will own some 75 per cent of Banesto's equity. The subsequent auction, which could take place in July, is likely to reserve a tranche of shares representing between 20 and 30 per cent of the Banesto's share capital for a domestic institution.

Trading in Banesto shares, suspended hours ahead of the bank's intervention last month, is due to resume in Madrid tomorrow.

Richard Waters explains BankAmerica's shift away from its California home

Westerner takes a shine to the rustbelt

For BankAmerica, the midwest is about to become a second home. Friday's announcement of its planned $1.9bn takeover of Chicago-based Continental Bank signals its first big foray out of its home markets in the western states of the US. It also signals a plan by the US's second biggest bank to shift its centre of gravity away from California, where it earns an estimated two thirds of its income.

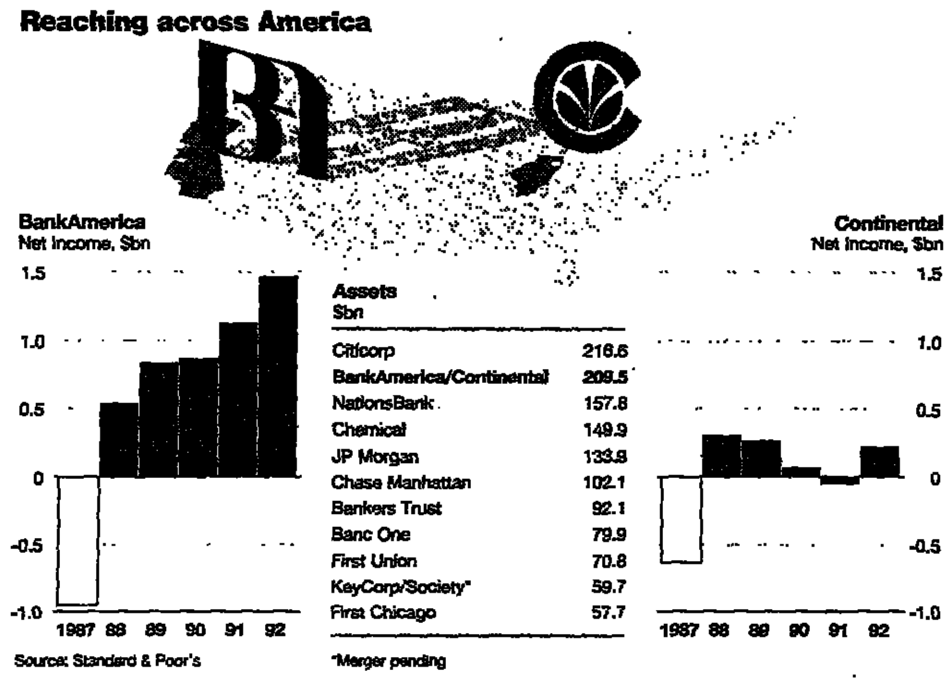
As such, it is likely to give a further push to the development of nationwide banking in the US.

Continental is a rare animal in the US. While many institutions have shifted their focus more towards retail banking, credit cards and consumer finance, where lending margins and fees are good, Continental has sought to become a specialist corporate bank. In this, it resembles its far larger and more powerful New York rivals, JP Morgan and Bankers Trust.

With the purchase of Continental, BankAmerica is buying extensive contacts with companies throughout the nation's rustbelt. Mr Richard Rosenberg, BankAmerica's chairman, says: "It's still the largest industrial base in the US, with a string of good companies." The bank claims the acquisition will give it more primary relationships with US companies than any other bank, including Citicorp, the country's largest banking group.

With the takeover, BankAmerica plans to move the headquarters of its own US corporate banking operations to Chicago, in the process creating a new wholesale banking giant in the midwest. Mr Rosenberg puts BankAmerica's corporate banking assets at "around three times" Continental's total $22bn, and its income from the business at more than $500m.

Reaching across America



Assets $bn	
Citicorp	216.6
BankAmerica/Continental	209.5*
NationsBank	157.8
Chemical	149.9
JP Morgan	133.8
Chase Manhattan	102.1
Bankers Trust	92.1
Banc One	79.9
First Union	70.8
KeyCorp/Society*	59.7
First Chicago	57.7

*Merger pending

Source: Standard & Poor's

Despite the size, the new BankAmerica operation will have a long way to go to rival banks like Citicorp and JP Morgan in the market for servicing big, internationally active companies. While Continental will bring it experience in trading in foreign exchange, derivatives and other financial markets, these trading operations are modest compared with the big New York trading banks. Also, BankAmerica has a weaker international network than its rivals: it drew in its horns, along with other US banks, in the late 1980s, and since then has been held back by the prolonged slump in its home market in California and the long and arduous process of digesting Security Pacific, a rival west coast bank that it bought two years ago.

Apart from the corporate customer base in the midwest, the deal has many attractions for BankAmerica. For a start, Continental should prove relatively easy to absorb. "It's a much easier transaction than Security Pacific, since it's not based on cost savings," said Ms Diane Glossman, an analyst at Salomon Brothers.

Also, the purchase price – though a premium of around 15 per cent on Continental's share price before the deal was announced – looks a bargain for BankAmerica's shareholders. Continental's shares had been trading at a discount to book value: even with the premium, BankAmerica is paying only 1.2 times book value (most banks sell for nearer 1.5 times book.)

Perhaps for this reason, BankAmerica's share price on Friday did not show the sort of weakness which has infected the stocks of other acquisitive US banks of late, brought on by market fear that they are being forced to pay a high price to pursue their ambitions. Also, BankAmerica said it would buy back $500m of its own stock before the cash-and-shares transaction is completed, countering the dilution to its earnings that would otherwise have resulted.

The agreement between the two banks contains a poison pill arrangement designed to deter any rivals from making unwanted bids for Continental. Such arrangements are becoming an increasingly familiar part of bank takeovers, which tend to be cosy affairs. BankAmerica will be hoping that no one else shares its views on just how attractive Continental may be.

Where do the BankAmerica's ambitions end? Many had been expecting it to make a foray out of its home base to buy a retail bank rather than a corporate one. Mr Rosenberg says there are no plans now to take over a retail bank in the midwest, or to build a retail business out of Continental. "It is a very focused corporate bank," he says. "We certainly do not want to diffuse or distract that focus by putting the bank into businesses it was not designed for."

Nonetheless, a takeover of Continental is unlikely to mark the end of BankAmerica's ambitions.

Markets this week

Starting on page 20

MARTIN DICKSON:
GLOBAL INVESTOR

The $10bn takeover battle for Paramount Communications may reach a climax tomorrow, the date set for best and final bids for the company. What are the implications of the battle for the global investor? Page 20.

EDWARD BALLS:
ECONOMIC EYE

The long-term challenge of tackling unemployment, and creating more high-wage jobs, is not easily understood, let alone solved. Finding corporate structures which persuade managers, workers and bankers to take a longer-term view must be part of that solution. Page 20

Bonds:
Fixed income fund managers are preparing for the bear market as the global bond rally runs out of steam. Page 22

Equities:
Good news on inflation in the US has brought a dramatic turnaround in UK securities and revived hopes of a base rate cut. Page 23

Emerging markets:
The descent of Japanese equity prices, now in their fourth year of weakness, and bad economic conditions, has made domestic investors cautious about putting money into equities. Page 21

Currencies:
Currency markets will be awaiting the outcome of meetings to discuss monetary policy. Page 29

STATISTICS

This week: Company news

NEWS CORPORATION

Murdoch revival should be on the bottom line

Many questions have been aired over Mr Rupert Murdoch's News Corporation recently, but the delivery of some good bottom-line figures for the six months to end-December on Thursday is not in much doubt.

BSkyB, the UK satellite television venture is likely to brighten the results. In December the satellite company set a new monthly record by adding 140,000 new subscribers, bringing the total to around 3.3m. But the newspaper price cutting war in the UK, while boosting sales of The Sun and The Times is likely to cost around £43m ($65m) in the 1994 financial year.

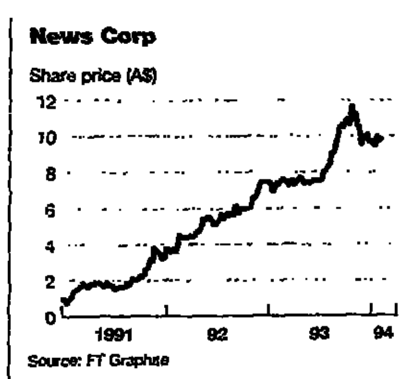
Many analysts think that after-tax profits for News first half-year, before abnormals, could nudge above A$600m ($422m), compared with A$490.1m last time. In terms of operating profit, however, the progress is likely to be less marked.

News actually saw a small fall here in the first three months, with the quarterly figure easing to A$412.2m from A$432.5m. Earnings from the newspaper interests were affected by the price war in the UK, while the smaller magazine and inserts division reported a 32 per cent profits drop.

Analysts say that this situation is unlikely to reversed in any dramatic fashion during the second quarter, although earnings from the film interests are expected to be strong. Indeed, the newspaper division's earnings will be further affected by the sale of a 31.9 per cent interest in the South China Morning Post in October. Macquarie Bank Analysts talks of a very modest A$5m rise for the first half overall.

The boost to net profit, say analysts, will come from falling interest charges and from a rise in associated companies' profits – namely, Ansett Airlines, the Australian carrier which News owns jointly with TNT, and BSkyB, News' 50 per cent-owned satellite broadcaster in the UK.

News Corp



Source: FT Graphite

(Pearson, publisher of the Financial Times also holds an interest in BSkyB).

Meanwhile, gossip over Mr Murdoch's joint venture plans – said to involve a move into the "electronic superhighway" field – has eased off in the wake of the "super share" plan's demise.

But few analysts think News' interest has died: "I don't think the subject has gone away," says one, "but it's a question of how to do it."

Murdoch watcher Mr Terry Povey of Bell Securities is predicting an £80m contribution to News Corp this year and £140m in 1995.

BAA

Retailing again main engine of growth

For the first time BAA, the airports operator, is to report quarterly results. Tomorrow it is to release figures for the first nine months of the year to March 30.

Analysts are shy of forecasting for the third quarter, but anticipate that full-year profits will fall between £312m and £325m.

Again the main engine of growth is expected to be the retailing side, though improved productivity and cost-cutting throughout the group will have their impact.

Watchers will be awaiting the group's reaction to the government's call for a probe into the economic regulation of airports – currently overseen by the Civil Aviation Authority and the Monopolies and Mergers Commission.

OTHER COMPANIES

Moment of truth for Euro Disney prospects

The Euro Disney banks will meet in Paris on Wednesday to assess the conclusions of the special investigative audit of the troubled leisure group's finances that they commissioned from KPMG Peat Marwick, the accountancy firm. The audit analyses the financial condition of Euro Disney and its future prospects so the banks can decide how to proceed in their negotiations to put together an emergency rescue package for the company.

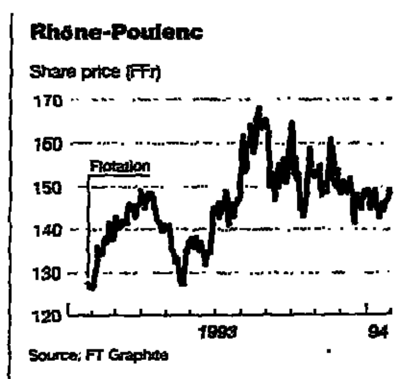
The meeting was originally scheduled for January 26 but was delayed. The banks now hope to finalise their negotiating strategy so that the rescue talks can be concluded by the March 31 deadline imposed by Disney.

■ The marathon takeover battle for entertainment group Paramount Communications may finally reach a climax today, the deadline set by the company's board for best and final offers from rival bidders QVC Network and Viacom. The two have until 5 pm New York time to improve their cash-and-share tender offers, which will then be weighed up by the Paramount board. Investors will have until mid-month to make up their minds.

■ Fiat, Italy's biggest private company, will today reveal preliminary figures pointing to one of the biggest losses in its 95-year history.

The information, in a letter to shareholders following a board meeting today, will offer a further insight into a devastating year for most of Europe's big car manufacturers, which have been battered by lower demand in most markets and rising price competition.

Rhône-Poulenc



Source: FT Graphite

Though Fiat's full earnings figures and dividend will not be announced until May, the group is expected to provide figures indicating a pre-tax loss of more than L2,000bn ($1.17bn) on sales of almost L54,000bn in 1993, excluding disposals.

■ Rhône Poulenc Rorer, the pharmaceuticals division of Rhône Poulenc, the French chemicals group which was privatised at the end of last year, will today announce its results for last year and its strategy for 1994. RPR achieved a 31 per cent rise in net profits to $428m in 1992. But last year the group was confronted with a more difficult environment as many governments implemented healthcare reforms and measures to limit expenditure on drugs.

■ Arabian Oil, Japan's largest oil group, is scheduled to report its results today. The company, which produces oil in Saudi Arabia and Kuwait, is expected to report sharply lower profits, thanks to weak domestic demand. The group is investing in China, Vietnam, the Gulf of Mexico and China.

Companies in this issue

Postel in mezzanine finance move

By Richard Gourlay, Growing Business Correspondent

Postel, the UK's largest pension fund manager, is for the first time to provide private companies with mezzanine finance in a move that signals that higher proportions of debt are likely to begin creeping back into the financing of management buy-outs.

Through the BT and Post Office Pension Schemes, Postel is buying 20 per cent of Intermediate Capital Group, one of the few groups still providing mezzanine finance, a form of capital that is riskier and higher yielding than bank debt but is not generally classed as equity.

Many of the institutions that entered the market in the late 1980s and lost substantial sums on deals like the buy-outs of Isosceles and Magnet, have recently withdrawn. One of the main reasons these deals failed was that buyers were able to inflate the price they could offer by taking on what proved to be unmanageable amounts of debt.

Postel has also given ICG £50m to invest alongside its own funds in the European mezzanine market. Together with a £10m injection from another "major UK insurance company", ICG says it will have over £250m to invest over the next three to four years.

Last month Postel folded most of its investments in private companies into a joint venture with Granville, the private investment bank, signalling a withdrawal from direct management of assets in this sector.

Postel's moves are seen as confirmation that demand for mezzanine finance is likely to increase as management buy-out teams and their financiers seek to raise gearing and therefore, the prices paid to acquire their companies. Increased demand is also expected from companies seeking development funds that the banks will not supply.

Mr Alastair Ross Goobey, Postel chief executive, said a material proportion of what the group allocated to unquoted investments was being put in the mezzanine market because "there is a gap in the funds available to unlisted companies between bank borrowings and equity funds from venture capital investors".

Mr Ross Goobey said Postel was "attracted by the high yield and more reliable return that this form of unquoted investment is able to offer."

Postel is understood to be buying 20 per cent of ICG, mainly from Westpac Banking, the Australian group, for substantially more than the £9m value of the stake when the group was set up in 1989.

Mr Tom Bartlam, managing director of ICG, said mezzanine finance could increase gearing and therefore helped management buy-out teams pay higher prices. But he did not think there would be a return to the highly leveraged buy-outs of the late 1980s.

Applied Distribution to float in March

By Paul Taylor

Applied Distribution, a Maidenhead-based contract distribution group providing third-party warehousing and distribution services mainly to retailers and food manufacturers, plans a stock market flotation in March.

The group intends to make its market debut through a placing organised by Baring Brothers, which is likely to value the group at about £40m. NatWest Wood Mackenzie will be brokers to the issue.

Applied was formed five years ago as part of a £16.5m management buy-out of Geest's distribution division led by Mr Michael Rowley, who became chief executive of the new company.

Since then, the group has benefited from the growing outsourcing trend among UK retailers and manufacturers to contract out their warehousing and transport needs to specialist service suppliers. The UK contract distribution market is estimated to have been worth about £5bn in 1992 and to represent about 30 per cent of the total UK distribution market.

Applied operates nationally from five main depots and specialises in distributing food and other fast-moving consumer goods, fresh produce, cut flowers and pot plants under temperature controlled conditions. Its main customers include J Sainsbury, Nestlé, Esso, Somerfield/Gateway and CWS.

Despite the recession, the group reported increased operating profits of £3.4m (£3.2m) in 1992 on turnover of £21.4m (£18.4m). Applied has also invested about £4.5m in depot facilities and its vehicle fleet since the MBO. Results for 1993 are expected to show continued growth and will be contained in the forthcoming prospectus.

The group plans to uses part of the placing proceeds to repay bank and other borrowings, with the balance being used for working capital and investment purposes.

Panel demands retractions from Granada

The Takeover Panel forced Granada Group to publish late on Friday certain retractions to statements in its latest missive in the war of words between itself and LWT (Holdings), for which it has made a hostile bid of about £725m.

In 1993, LWT generated cash before investments and dividends of £23.8m, rather than £22.9m as Granada said. So the conversion of profit before interest and tax into cash before investments and dividends was 51, not 49, per cent. Similarly LWT's net cash inflow before investments and dividends was down 23.9, not 26.8, per cent on 1992.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
MCI Communications (US) /Banacci (Mexico)	Joint venture	Telecoms	£670m	Long distance competition
Photo-Me International (UK)	KIS (France)	Photographic equipment	£38m	Buying better technology
Allied Textile Companies (UK)	Cleyn & Tinker (Canada)/ Carleton Woolen Mills (US)	Textiles	£29.3m	Continuing overseas expansion
Northern Electric (UK)/ Neste (Finland)	Sovereign Exploration (JV)	Oil & gas	£19m	NE secures gas access
Reuters (UK)	Reality Technologies (US)	Computer services	£9.2m	Taking 79% stake
Keller Group (UK)	Case International (US)	Engineering	£6m	Complementary purchase
Biffa Waste Services (UK)	Cotrans (Belgium)	Waste management	£11.1m	Buying through Biffa
Banca Commerciale Italiana (Italy)	Banque Sudameris (France)	Banking	n/a	Buying out partners
Shell (UK/Netherlands)	Societe Shell du Maroc (Morocco)	Oil	n/a	Buying out-standing 50%
Asea Brown Boveri (Sweden/Switzerland)/ Nevsky Zavod (Russia)	ABB Nevsky (JV)	Engineering	n/a	80/20 turbine venture

Tring flotation go-ahead

By Michael Skapinker

Tring International, the budget price compact disc company which faces legal action from other music groups, is expected to announce today that it plans to go ahead with its postponed stock market flotation.

A pathfinder prospectus is expected to be published this morning. Tring expects trading in its shares to begin before the end of February.

The flotation, originally planned for last month, was postponed because of what the company saw as the weakness of the new issue market.

Mr Alan Wheatley, the former chairman of venture capital group 3i, who had agreed to become Tring's chairman, has withdrawn. Instead, the chairman is expected to be Mr Tony Morris, a former vice president of PolyGram International, the music group.

Tring faces legal action from other music groups, including MCA and PolyGram, alleging that the company has breached their copyright. Last week, Tring agreed to pay £20,000 to EMI Music to settle two copyright actions. The two actions concerned recordings by Olivia Newton-John and of Puccini's La Bohème.

The Tring pathfinder prospectus is expected to say that the outstanding legal actions will have no material impact on its profits, which are expected to be £5.1m for the year to March 31 1994.

Latin American Tst aims for £100m

Morgan Grenfell is to launch a Latin American Investment Trust in March and aims to raise more than £100m for the vehicle.

The launch will be sponsored by James Capel and the trust, to be targeted at institutions and "sophisticated" private investors, will be managed by Morgan Grenfell Trust Managers along the same lines as MG's existing Latin American institutional offshore fund.

The trust will be managed by Mr Alan Nesbit.

Re-energising Magnet

Maggie Urry on Berisford's conglomerate plans

Berisford International is quietly confident that this afternoon its shareholders will give the go-ahead for its proposed reverse takeover of Magnet, the kitchen and joinery manufacturer and retailer.

It will be the first step in Berisford's planned transformation into a conglomerate. But now Mr Alan Bowkett, chief executive, has another worry. He fears that some brokers have been too eager to talk up the group's shares. With Berisford buying £138m of assets for a net £26m it is easy for outsiders to get carried away with the deal.

The shares were suspended at 128p just before the announcement of the deal. They start trading again tomorrow. Kleinwort Benson, the securities house, has recommended clients to buy them up to 240p. A sweep organised among the company and its advisers for tomorrow's closing price has produced a more cautious range from 131p to 210p.

Mr Bowkett has stressed his strategy is a long term one. He emphasises the difference between what he plans for Berisford in the 1990s and what he calls the 1980s style of conglomerates – get the share price up, do more deals on the back of a high rating, and use acquisition accounting to make them look good.

In the 1990s, he says, conglomerates will not have asset price inflation and acquisition accounting to bale them out. Instead Berisford and its like will have to rely on "real things" such as consistent unit cost reduction and differentiation through quality.

Berisford, he says, will aim to take the best of Anglo-Saxon commercial attitudes and Japanese attention to detail and quality and apply them to basic industries.

In the short term he lists three priorities. Bedding down Magnet is the first, with the continuing liquidation of the old Berisford assets – which might yield £30m in calendar 1994 – a close second. Then he wants to start the search for a US acquisition which he reckons will take a year.

As for Magnet, Mr Bowkett has detailed plans for the business which have been developed over the last few months of due diligence investigations.

This work has identified a number of areas where costs can be cut. For instance, Magnet's division of the business into trade and retail has produced two buying departments, each purchasing the same goods from the same suppliers. Put the two together and there should be cost savings and perhaps larger discounts.

Another aim is to take advantage of the strong operational gearing of the business so that even without any recovery in its markets, sales and profits can be expanded by, for example, the introduction of new products.

Magnet has segregated the trade customer from the retail, Mr Bowkett says, to the detriment of sales. Different kitchen ranges aimed at the two types of buyer has caused confusion.

All that Mr Bowkett asks is that shareholders be prepared to take a medium-term view rather than look for a quick return. If the Magnet deal completes in March, he thinks it will take until September, Berisford's financial year-end, to start seeing an improvement. The clock starts ticking on October 1, he says, and he is willing to be judged on the 1994-95 results.

See Observer

Merger terms put £15m tag on Europa Minerals

By Kenneth Gooding, Mining Correspondent

Terms for the three-way merger involving Europa Minerals value the UK-quoted mining finance house at 62.6p a share or £15.4m, according to Samuel Montagu, adviser to Burmine, the Australian gold company making the offer.

Europa's share price touched 57p at one stage on Friday after the news and ended the day at 54p, up 12p.

Burmine is offering one of its shares for every two Europa ordinary and at the same time, is making a 1-for-12 offer for Austmin Gold, an Australian exploration company, valuing it at A$15.5m (£7.4m).

Europa shareholders owning 52.5 per cent of the company said it was their present intention to accept the Burmine bid. Europa's independent directors, owning 2 per cent, recommend the offer and have irrevocably undertaken to accept.

However, the three-way merger is challenged by an offer for Burmine by Mount Edon, another Australian gold producer. Hearings by the Australian authorities into technical challenges made by the companies are due to be heard on February 7 and 8 and Burmine cannot move ahead with the three-way deal until then.

The situation is made more complex because Mount Edon owns 22.6 per cent of Burmine and 19.9 per cent of Europa. Europa owns 38.5 per cent of Burmine and Austmin holds 19.8 per cent of Europa.

IMI share issue priced at top end of expectations

By Haig Simonian in Milan

The Italian Treasury has responded to the growing confidence in its privatisation drive by pricing shares in Istituto Mobiliare Italiano (IMI), the latest sell-off, at the top end of expectations.

Shares in IMI, the big financial services group which goes on sale today, will be priced at L10,900 each, close to the top of the L9,800 to L11,000 range indicated by the Treasury, and will raise L2,180bn ($1.29bn).

The pricing came alongside new rules from the cabinet limiting the role of shareholder pacts in privatisation issues. Such pacts, which are commonplace in big Italian companies, allow small groups of shareholders to aggregate their holdings and exercise control without necessarily owning more than 50 per cent of a company.

The IMI pricing represents a discount of 6.07 per cent on the company's net worth, much tighter than the discount of about 10 per cent offered on Credito Italiano last month.

The smaller discount on IMI reflects the Treasury's growing confidence in the issue, in spite of its being the biggest initial public equity offering in Italy.

The optimism stems from strong demand from foreign institutions, which will be allocated half the 200m shares on offer. *Soundings by S G Warburg, the UK merchant bank* co-ordinating the global tranche, have indicated foreign buyers were willing to take at least three times the stock allocated.

Analysts expect the Treasury to allocate an additional tranche of almost 19m shares, normally reserved for market stabilisation purposes. If these shares are also sold, the state's stake in IMI will drop to about 27 per cent from over 60 per cent at present.

The Treasury has also overcome its initial doubts about IMI's appeal to Italian retail investors, who have been allocated 75m shares. The lavish advertising campaign and the bandwagon effect of the Credito Italiano deal have triggered considerable interest among small investors, as has the generally upbeat sentiment on the bourse.

The privatisation campaign will gather pace next month with the sale of the remaining public sector shares in Banca Commerciale Italiana.

It was partly with the BCI deal in mind that the cabinet issued its new rules on shareholder pacts. Although the details remain unclear, the regulations call for greater information about the membership and intentions of such pacts in privatisation issues. Members could also be obliged to launch full takeover bids for outstanding shares if they acted in concert *in acquiring additional* stock after a privatisation.

Argentaria net profits up 12% to Pta75bn

By Tom Burns in Madrid

Argentaria, the partially-privatised Spanish state banking corporation, raised its 1993 consolidated net profits by 12 per cent to Pta75.4bn ($538m) due to strongly increased fee income during last year's currency turmoil and strict cost control.

The gain was ahead of that of other successful domestic banks and reflected Argentaria's lowered exposure to falling interest rates, which have squeezed margins among its rivals. With only 38 per cent of its liabilities in deposits, against a domestic sector average of 65 per cent, Argentaria obtains most of its funds from the market and its balance sheet is less affected by lending conditions.

The banking group's net interest revenue increased by a more modest 5.8 per cent to Pta256bn, in line with that of the more profitable Spanish banks. It raised its commission income by 17 per cent to Pta54bn, reduced its operating expenses by 0.5 per cent to Pta166bn and lifted its operating profit by 18.9 per cent to Pta144bn.

● Caixa Geral de Depositos (CGD), Portugal's state-owned savings bank and largest financial institution, registered a 6 per cent increase in net profits in 1993 to Es41.3bn ($236m). Net assets grew 18 per cent *to Es4,373bn*, writes Peter Wise in Lisbon.

Aetna Life to shed 10% of its workforce

By Richard Tomkins in New York

Aetna Life & Casualty, one of the biggest US insurance companies, is to drop two insurance products and shed 4,000 jobs – almost 10 per cent of its workforce – at a cost of $1bn to after-tax earnings in the year just ended.

The measures are the latest in a series of actions that have already resulted in the loss of almost 8,000 jobs over the last three years with the aim of revitalising profits.

The businesses being dropped, written through Aetna Life Insurance, involve the sale of guaranteed investment contracts and single premium annuities to companies and other large sponsors of retirement plans.

Both of the products offer guaranteed returns to investors regardless of the performance of the underlying investments.

Aetna, following a trend set by other insurance groups, said that it was dropping the products because they were capital intensive and unprofitable.

At the end of 1993, the company had $14.7bn of assets under management attributable to the products, of which $6bn was invested in commercial mortgages and real estate.

Aetna plans to continue to expand its remaining asset accumulation businesses, the company said, including individual and group variable annuities for small and not-for-profit customers and also pension investment management services for its larger customers.

The 4,000 job cuts will be spread across the group's businesses with the aim of cutting costs. The move follows a reorganisation in 1990 which resulted in Aetna's splitting its three large divisions into 15 smaller profit centres so that the performance of each business unit could be more closely monitored.

Aetna said that without the charges for the latest measures, its 1993 results, which are due to be released on February 9, would show an operating profit of slightly more than $600m.

Semiconductor sales lift Texas Instrument

By Louise Kehoe in San Francisco

Texas Instruments, the US semiconductor and electronics manufacturer, reported strong fourth-quarter results to cap *one of* the best financial years in the company's history.

Growth in semiconductor sales drove revenues for the fourth quarter up 19 per cent to $2.4bn from $2.0bn in the same period last year. Net income was $134m, or $1.42 a share, compared with $78m, or 80 cents, in the fourth quarter of 1992.

Profit from operations increased 75 per cent to $198m from $113m in the same period of 1992. The increase reflects improved results from semiconductor operations and an increase in patent royalties, which rose to $133m from $89m in the same period last year.

Fourth-quarter results for *1993 included an accrual of* $31m for employee profit sharing and a pre-tax charge of $23m related to the consolidation of TI's consumer and peripheral products businesses.

For the full year, TI's revenues rose to $8.5bn from $7.4bn in 1992. Essentially all of the increase was in semiconductor revenues, the company said. Net income for the year was $472m, or $5.03 per share compared with $247m or $2.50 per share in 1992. Profits from operations rose 73 per cent to $728m from $420m in 1992.

Revenues from components, the bulk of which are semiconductor devices, rose 28 per cent to $5.1bn for the year from $4.0bn in 1992. About half of semiconductor revenues were from "differentiated products", TI said, reflecting the company's strategy to diversify beyond its strong position in the market for standard memory chips.

Royalty revenues for the *year rose 33 per cent to $521m* from $391m in 1992.

Downturn at Sanyo Electric

By Michiyo Nakamoto in Tokyo

Buoyant sales of batteries and semiconductors were not enough to support better results at Sanyo Electric, which reported a 44 per cent decline in pre-tax profits for the year to November 1993.

Pre-tax profits were Y6.04bn ($553.5m), down from Y10.69bn in the previous year, and the dividend is being cut to Y5 from Y6.50 per share. Sales dropped 6 per cent to Y1,020bn and the net loss was Y4.07bn, compared with Y5.77bn.

The company's performance was adversely affected by last year's sharp rise in the yen which, combined with depressed domestic demand, put pressure on sales both at home and overseas.

Demand for audio-visual products, such as colour TVs, was particularly weak and capital investment by Japanese companies remained stagnant.

Amid the prolonged recession in Japan, prices of consumer electronics goods have collapsed, with heavy discounts offered not only on old models but also on those recently introduced.

In addition, Sanyo's business in Japan was last year hurt by the unusually cold and wet summer, which hit demand for air conditioners.

In contrast to the decline in audio-visual and electronic product sales, the company saw firm demand for semiconductors and batteries.

On a consolidated basis, sales fell by a marginal 0.7 per *cent to Y1,530bn from Y1,540bn* but pre-tax profits rose nearly six-fold to Y3.23bn from Y562m.

ANA mission looks for links with BA

Paul Abrahams on Japan's second airline's search for increased volume

A team from All Nippon Airways, Japan's second largest carrier, leaves Tokyo *today for London.* Its immediate mission is to negotiate an agreement to allow the airlines's passengers to participate in British Airways' frequent flyer programme.

But ANA has bigger ambitions. The team is also under instructions to explore the possibility of a wider marketing alliance with BA that will help counter a collapse in demand caused by Japan's worst post-war recession.

The airline, the world's eighth biggest – larger than BA in terms of passenger numbers – urgently needs to improve loads on its international flights, particularly from *Europe* and the *US* to Japan.

The carrier's management believes a strategic marketing alliance with BA could be the answer. Mr Yuzuru Masumoto, senior vice-president legal affairs, says the two airlines could negotiate code sharing agreements, as well as exchange of data, engineering facilities and flight crew.

The depth of the Japanese recession has taken ANA by surprise. The percentage of available seats filled on domestic flights dropped from 71.3 per cent in the financial year to March 1992 to 62.2 per cent during the six months to September 1993. The airline's plight has been exacerbated by *increasing deregulation allowing* greater competition from Japan Airlines (JAL).

Meanwhile, the group's international strategy is faltering. ANA's heady expansion during the late 1980s and early 1990s has come to a halt. Loading on international routes has fallen from 69.7 per cent in 1992-93 to 63.2 per cent in the six months to September and management expects no recovery during the second half.

The fall in passenger volumes has been exacerbated by a change in customer mix. Mr Masumoto says the number of passengers in first and business class has fallen by a third since the early 1990s.

ANA, unlike its rival JAL, is still in profit, but management admits its post-tax results would have fallen into the red during the six months to September if the group had not changed *its depreciation policy*, by extending the assumed life of its aircraft from 10 to 13 years.

Retrenchment is now the order of the day. The company is drawing up a new five-year plan which should be ready within a month and is based on lower growth expectations.

ANA's management knows cost-cutting can only go so far. What the company needs more than anything is improve passenger volumes and upgrade its passenger mix. Hence the approach to BA.

But although ANA is clearly keen, BA's management, contacted *by airlines for similar* agreements almost weekly, remains to be convinced.

NEWS DIGEST

Vienna seeks airport deal in Bratislava

Flughaven Wien, the Vienna airport company (VA), is negotiating with the Slovak government to take a 50 per cent stake in Bratislava airport, writes Patrick Blum.

Talks between the Slovak and Austrian governments have revived the project first *mooted two years ago.*

Bratislava airport would become a joint venture 50 per cent owned by VA, which would invest some Sch200m ($17m) to help modernise the airport, bring know-how, and provide training.

Bratislava has spare capacity while Vienna, with 7.1m passengers last year and growing demand, will need extra capacity by the end of the century. The two airports are about 45 minutes drive apart.

Strong start by Perstorp

Perstorp, the Swedish specialty chemicals and plastics manufacturer, more than doubled profits after financial items in the four months to December 1993 to SKr201m ($25m), compared with SKr81m in the same period in 1992, writes Hugh Carnegy.

Funding for PNG gold mine

Efforts to raise the debt funding for the large Lihir gold mine project in Papua New Guinea are expected to get under way in the next couple of weeks, writes Nikki Tait.

Niugini Mining, one of the joint venture partners in the mine, alongside Britain's RTZ and the Papua New Guinea government, said an information memorandum would be circulated early in February to international banks.

The banking memorandum follows preparation of a detailed financial plan for Lihir Gold, the corporate entity which will eventually own the project. The development cost of the mine, put at US$610m, is expected to be covered by the raising of both equity and debt funds, and JB Were, the Australian stockbroking firm, has been appointed as lead broker *for the planned initial public* offering of share in Lihir Gold.

Lihir has the potential to become the largest gold mine outside South Africa.

Goodyear sees higher profits

Goodyear, the US tyre manufacturer, expects to report net income before extraordinary items of $485m to $490m, or $3.30 to $3.35 a share, for 1993, about one-third higher than in 1992, writes Martin Dickson.

The company, which will not report its results until February 9, said the estimate *includes some $15m, or 10* cents a share, of non-recurring gains from asset sales.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 30.01.94: Pool purchase price £/MWh	Final Prices for Trading on 02.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.68	18.07	18.07
0100	28.79	23.14	24.98
0130	33.70	32.00	33.85
0200	33.70	32.00	33.85
0230	28.79	27.54	29.39
0300	26.06	32.14	33.98
0330	22.41	32.14	33.98
0400	20.87	26.23	28.08
0430	17.28	21.76	23.60
0500	10.69	21.37	23.22
0530	10.68	21.05	22.90
0600	10.67	21.05	22.90
0630	10.67	21.05	22.90
0700	10.68	21.05	22.90
0730	10.68	18.02	18.02
0800	10.68	17.98	17.98
0830	10.68	17.96	17.96
0900	10.69	17.99	17.99
0930	10.69	18.03	18.03
1000	10.71	21.04	22.89
1030	18.62	21.05	22.90
1100	18.70	21.10	22.95
1130	22.66	23.51	25.36
1200	23.55	28.47	30.32
1230	31.61	32.00	33.85
1300	31.61	32.00	33.85
1330	31.61	28.47	30.32
1400	31.61	22.12	23.97
1430	21.02	18.04	18.04
1500	17.40	18.03	18.03
1530	13.52	18.02	18.02
1600	10.71	18.04	18.04
1630	17.61	23.51	25.36
1700	20.51	24.83	26.68
1730	22.12	33.65	35.50
1800	27.27	33.65	35.50
1830	25.91	30.91	32.76
1900	27.27	25.92	27.77
1930	22.88	25.92	27.77
2000	22.88	24.83	26.68
2030	21.88	24.83	26.68
2100	21.02	22.16	24.01
2130	21.02	22.12	23.97
2200	21.02	18.04	18.04
2230	20.51	18.03	18.03
2300	19.60	18.02	18.02
2330	19.60	18.01	18.01
2400	10.71	18.01	18.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 31.01.94: Pool purchase price £/MWh	Final Prices for Trading on 03.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.61	18.17	18.17
0100	22.79	26.19	28.24
0130	27.59	36.00	38.05
0200	27.59	36.00	38.05
0230	22.88	26.19	28.24
0300	22.86	26.19	28.24
0330	22.61	26.19	28.24
0400	20.87	23.54	25.60
0430	21.18	23.48	25.53
0500	17.09	22.12	24.17
0530	17.23	21.42	23.47
0600	17.28	21.42	23.47
0630	17.42	21.42	23.47
0700	17.44	21.42	23.47
0730	21.18	20.77	22.82
0800	21.20	18.02	18.02
0830	21.54	18.01	18.01
0900	21.54	18.03	18.03
0930	22.58	18.07	18.07
1000	23.06	22.28	24.33
1030	23.06	24.11	26.16
1100	23.06	24.12	26.17
1130	23.06	25.02	27.07
1200	23.06	27.60	29.65
1230	23.06	27.60	29.65
1300	23.05	32.30	34.05
1330	21.54	32.00	34.05
1400	17.50	25.02	27.07
1430	17.48	25.02	27.07
1500	17.45	24.12	26.17
1530	17.48	18.24	18.24
1600	17.49	18.25	18.25
1630	17.55	27.35	29.40
1700	29.70	42.12	44.17
1730	36.40	42.12	44.17
1800	36.57	42.12	44.17
1830	29.69	32.11	34.17
1900	24.68	27.60	29.65
1930	22.85	26.47	28.53
2000	22.81	25.65	27.70
2030	21.20	25.44	27.49
2100	21.16	24.12	26.17
2130	21.05	24.12	26.17
2200	21.16	24.12	26.17
2230	17.42	18.13	18.13
2300	17.37	18.04	18.04
2330	17.28	18.04	18.04
2400	17.28	18.02	18.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price [illegible]

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

The last picture show, perhaps

A grim-faced, bearded soothsayer tramps through the streets of New York holding aloft a placard declaring that "the end of the sale of Paramount is near."

The cartoon, published in New Yorker magazine, sums up both Wall Street's weariness with the five-month-old battle for entertainment group Paramount Communications, and the gloomy expectation that whichever bidder wins the contest will turn out to be the loser - at least in the short run.

Over the past few months the market has hammered the shares of each of the two bidders - Viacom and QVC Network - when they appeared to be the likely victor, and analysts expect this movement to be accentuated when the contest is finally settled.

That could be as early as this week. The Paramount board has set tomorrow as the deadline for best and final offers, and it issued a stern warning last week that bids beyond February 1 would violate the ground rules it has laid down for the contest. Shareholders will have until the middle of the month to make their choice.

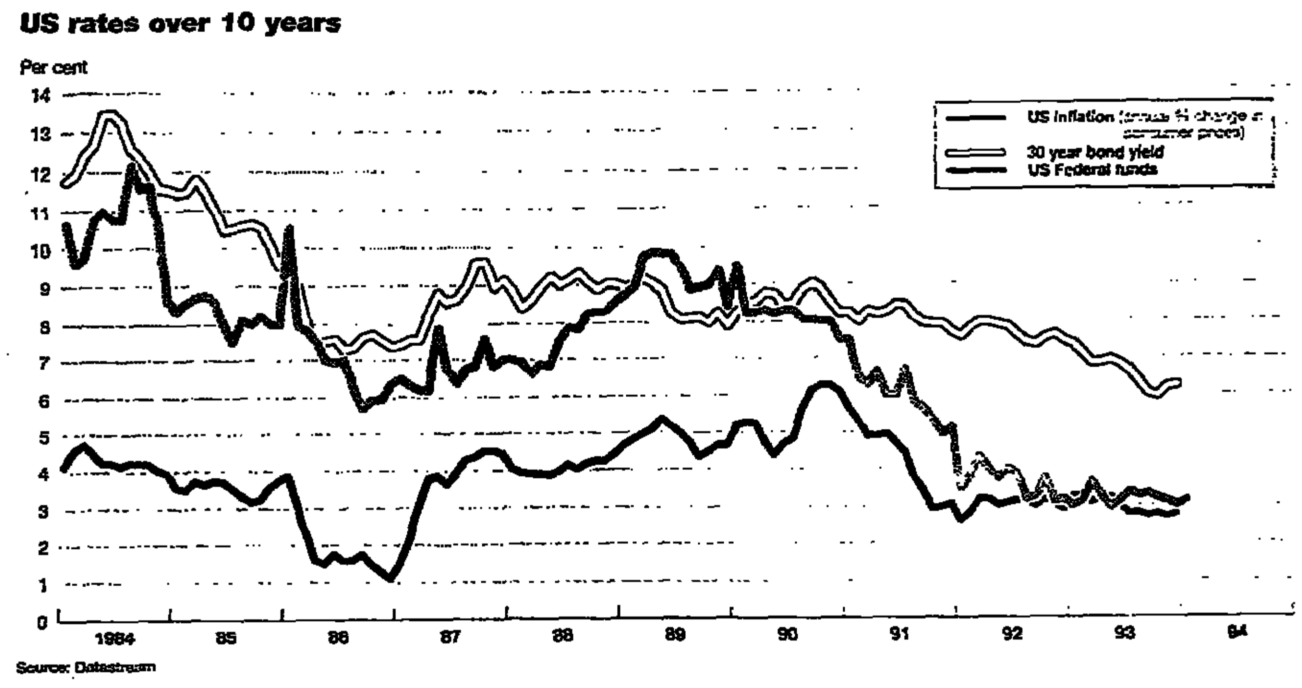
However, since the board has a duty to get the best value for stockholders - and may face investor suits if it does not - it could find it hard to ignore a higher offer made after the auction gavel has supposedly dropped for the third time.

The winner's shares are expected to drop in part because much of Paramount's stock is now in the hands of Wall Street arbitrageurs, rather than long-term investors, and they will be keen to liquidate quickly the holdings in the victor's stock which they receive in part-payment for their Paramount shares.

At the same time, whichever company wins Paramount will be leveraging itself up with debt in order to pay a very high price - more than 17.5 times operating cash flow in the year to April and a price/earnings multiple of over 40 - for a business with a lacklustre profits record, forecast to produce flat earnings this year.

Viacom says Wall Street is "grossly underestimating" the growth potential of its merger with Paramount, and the simultaneous takeover it is planning of video retailer Blockbuster Entertainment.

The company certainly has an impressive record in the creation of branded television programming. But Paramount's core business is its film studio, and the track record of QVC's Barry Diller, one of the most creative Hollywood figures of the past two decades, suggests he is more likely to make this asset hum - eventually.



Source: Datastream

■ Disney

Whatever the outcome, the Paramount bidders are gambling that entertainment software assets - film and television shows - will have a high scarcity value in the brave new world of inter-active, multimedia communications, which promises to bring a host of new television-based services into the home, ranging from shopping to video telephony.

No one really knows how much of this consumers will be willing to pay for, or when, and fortunes are going to be won and lost finding out.

But it is a fair bet that movies and TV shows which can be summoned on demand, by the flick of a remote control button, will be among the most popular offerings.

With Paramount about to lose its independence, the only remaining large, quoted and fairly "pure" film business is Walt Disney, which last week produced a remarkably strong set of first quarter figures, with net income rising 34 per cent to $268.6m.

Disney shares have been held back by the crisis at its 49 per cent-owned associate, Euro Disney, which is crippled with debt and is about to start negotiations with its banks over an emergency refinancing.

Last week's figures excluded Euro Disney losses because Walt Disney has written its investment down to zero. But the Euro Disney crisis will eventually pass, be it through a debt restructuring or closure, and the recent emergence of a secondary market in Euro Disney debt is one positive straw in the wind.

Euro Disney aside, the basic business fundamentals at Walt Disney look strong, a fact which may have escaped European investors, perhaps enjoying a touch of schadenfreude at America's most powerful purveyor of popular culture fouling up in the old world. Walt Disney's American theme park business may be growing only modestly, but its film division produced a 45 per cent surge in first quarter operating profits to $310m, thanks largely to two animated films: Aladdin, which was released in video form in the US market and in cinemas internationally; and the Jungle Book, an older Disney title which was released internationally in video.

There is plenty more in the cartoon pipeline, with the release in the US next summer of Lion King, an African wildlife tale with music by Elton John, followed next Christmas by Pocahontas, an American Indian saga.

Jessica Reif, of Oppenheimer & Co, who has been one of the most bullish Wall Street analysts on Disney and thinks the stock could rise 30 per cent over the next 12 months, says the success of the Jungle Book underlines a unique feature about the company.

Disney can "re-release each animated film every seven to ten years and do as well or better than the original release." That is not true for live action films, and makes its library the most valuable in Hollywood on a per-title basis.

■ The Fed's dilemma

The US Federal Reserve's policy-making Open Market Committee will meet on Thursday and Friday of this week to address the question uppermost in the mind of the global financial community: when will the Fed tighten monetary policy, implementing the first US interest rate increase in five years?

Most Wall Street analysts expect the central bank to nudge rates higher - possibly taking the Fed funds rate from 3 per cent to 3.25 per cent - over the next few months, to nip incipient inflation in the bud and reassure the bond market as the US economy's growth accelerates .

Yet at the moment inflation does not seem a problem. Last Friday's figures for fourth quarter GDP - showing the economy growing at an annual rate of 5.9 per cent - also contained good inflation news. The implicit GDP deflator, a broad measure of price changes and shifts in buying patterns, rose just 1.3 per cent in the quarter, compared to the 3 per cent forecast by some analysts.

The fourth quarter growth rate was boosted by special factors and Wall Street is expecting a sharp drop in the first three months of this year, particularly in view of severe winter storms in the East and the earthquake in Los Angeles (though some economists argue that the quake could be a net plus for growth, given the construction spending it will trigger).

The Wall Street concensus for 1994 as a whole is growth of a little over 3 per cent. The FOMC, in this week's first meeting of the year, will form its own view on the outlook for 1994, as well as setting monetary growth targets.

As it considers tightening it will have one more piece of statistical evidence to weigh - January's employment report, due out on Friday morning, which is expected to show a gradually expanding labour market, though the picture may be distorted by seasonal factors and changes in reporting methodology.

The committee faces a dilemma. It needs to firm before inflation becomes an evident problem, because by then a price spiral will be embedded in the system and the harsh medicine necessary to stop it would severely unsettle the markets.

On the other hand, last week's bond market rally indicates that Wall Street remains relaxed about inflation, while an early rise in rates would be politically unpopular (particularly against a background of natural disasters) at a time when Congress is threatening to curb the Fed's freedom.

In a week when the US is basking in the best of all possible Panglossian worlds - solid growth and low inflation - the Fed would be brave indeed to break the spell.

Total return in local currency to 27/1/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.04	0.12	0.13	0.15	0.10
Month	0.27	0.20	0.55	0.58	0.71	0.45
Year	3.69	3.34	7.50	8.69	11.94	5.66
Bonds 3-5 year						
Week	0.07	-0.12	-0.04	-0.07	0.08	-0.18
Month	0.74	-1.63	0.16	0.24	0.73	0.18
Year	8.09	8.38	11.98	17.12	25.30	11.87
Bonds 7-10 year						
Week	0.12	-0.99	-0.26	-0.41	-0.18	-0.74
Month	0.77	-3.21	-0.31	-0.11	0.49	-0.29
Year	11.90	10.13	15.13	21.96	35.88	19.25
Equities						
Week	-0.3	-0.9	0.1	1.0	3.8	-0.9
Month	0.7	8.9	-5.3	1.6	2.9	2.2
Year	10.4	23.2	36.6	37.8	39.7	28.4

Best performing stocks from FT-A World Indices in local currency to 27/1/94

		% change		
	Close	Week	Month	Year
Jennings Group (Aus)	0.39	45.5	45.5	300.0
Ferruzzi Fin. (Ita)	728.00	35.8	59.4	0.5
Air Canada Inc. (Can)	8.50	18.2	32.7	179.0
Radiotechnique (Fra)	585.00	17.7	54.5	109.8
Hufvudstaden A (Swe)	68.00	17.2	68.5	147.8
Iseki & Co. (Jap)	309.0	16.6	43.8	37.8
Fokker (Neth)	21.20	16.5	15.4	79.4
Feruzzi Finanz (Ita)	1,520.00	16.3	[illegible]	82.3
Chiquita Brands (USA)	15.50	15.9	47.8	[illegible]
Saffa A (Ita)	4,900.00	15.1	80.8	[illegible]

Source: Cash & Bonds - Lehman Brothers. Equities - [illegible]
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

Economic Eye / **Edward Balls**

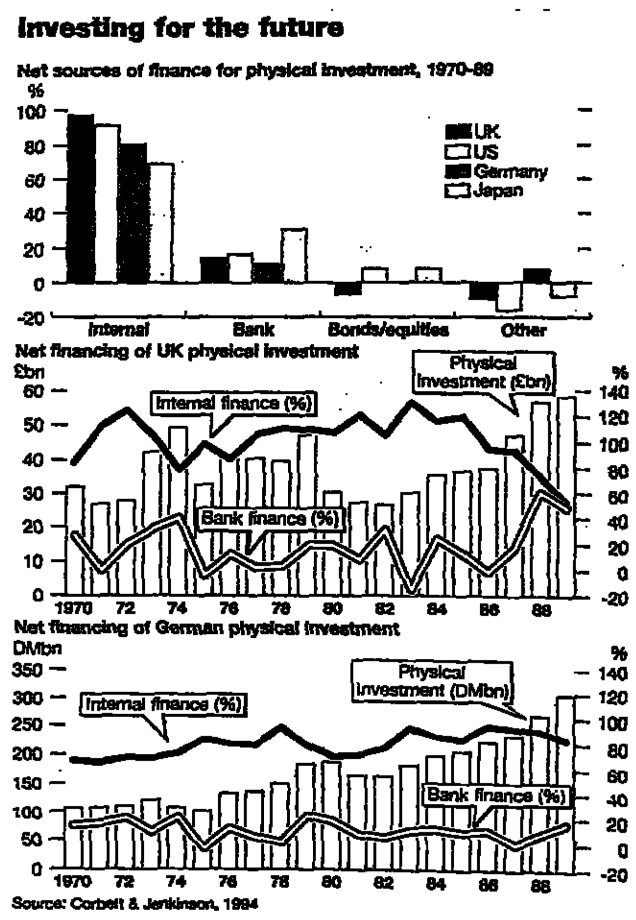
Financing the upgrade to a high-wage-growth economy

The Organisation for Economic Co-operation and Development is not known for its publicity-seeking ways. Strong titles, racy language, bold conclusions - none of these are house-style at the industrialised countries' Paris-based think tank.

Yet, despite the usual diplomatic language and veiled prescriptions, a clear message shines through the OECD's draft report on employment and unemployment. The study, currently circulating among member governments, criticises continental European governments for their poor records of job creation and high long-term unemployment. But the OECD does not believe that the deregulated Anglo-American labour markets are the answer.

Far from it. The collapse in the demand for unskilled workers in developed economies, the draft report says, is a serious problem "regardless of the form it takes - low paid, low quality jobs or overt unemployment". Less regulation may mean more low-wage, low-productivity employment. But the side-effects of America's hire-and-fire labour markets - rising wage inequality and in-work poverty as well as male inactivity - are as economically and socially dangerous as the long-term unemployment they are supposed to avoid. The only sustainable, and affordable, solution is to reverse the dwindling ability of most developed economies - with the exception of Japan and perhaps western Germany - to create high-wage, high-skill jobs and equip poorly educated workers to compete for them.

What the OECD is not willing to do, however, is to ask whether the free market policies pursued by the UK government or deeply embedded in the structure of the American economy also explain why they have comparatively low levels of investment in physical and human capital. Last year's OECD Employment Outlook, for example, published research which finds a strong link between security of employment tenure and the willingness of both workers and managers to invest in training. But, while the draft report makes many suggestions for increasing the quality of education and removing obstacles to job creation, it does not tackle the question of whether flexible hiring and firing necessarily undermines long-term relationships and thus investment in skills.



Source: Corbett & Jenkinson, 1994

Again, with a clear nod in an Anglo-American direction, the report suggests that "investment levels are too low in many OECD countries to provide the capital stock necessary to generate sufficient numbers of high-productivity jobs." But perhaps the low levels of investment in the UK and US are linked to the structure of Anglo-American financial systems, and the fluid relationships between managers, shareholders, banks and other stakeholders that they encourage. The OECD's desire to duck these issues is understandable - international comparisons of financial systems are fraught with difficulties. Identifying differences in corporate governance across country is comparatively easy: US and UK companies have few intercorporate or bank equity holdings, while the takeover threat means incumbent managers must focus on short-term results; German and Japanese companies are less vulnerable to takeovers because of cross-shareholdings while management decisions are supervised by committees on which banks play a leading role.

Yet the standard complaint from UK companies - that they do not have the same level of access to long-term bank finance as their German or Japanese competitors - is not borne out by the evidence. Oxford University economists Jenny Corbett and Tim Jenkinson have identified the net sources of funds available for physical investment over the period 1970-1989 after adjusting for bank deposits and purchases of bonds and equities.

Contrary to the conventional wisdom, their research finds that internally generated profits are by far the main source of funds for investment in all four countries, as the charts show. US and UK companies actually depend more on bank finance than German companies. But market capital - bonds and equities - provides a small and dwindling net source of finance. For British companies, the development of the takeover market means that equity finance has increasingly become a net drain on resources.

Yet financial systems clearly make a difference to the time horizons over which managers and workers can plan. The pattern of UK investment is much less stable than in Germany, in part because of Britain's recent macroeconomic turbulent history, as the charts show. But the share of bank finance in UK investment also fluctuates markedly, rising when investment increases but then falling sharply in recessions as the profitability of lending falls and banks call in their loans. In Germany, by contrast, the banks' role as actual and proxy shareholders in the companies they lend to seems to deliver much more dependable bank finance. The ability of German and Japanese stakeholders - workers, managers and shareholders - to take a longer term view and forgo earnings to invest for the future must also be part of the reason why profits and thus investment are consistently higher than in the US or UK. Who can blame British managers or workers for trying to extract as much as possible as fast as they can from the companies in which they work when the threat of takeover, recession or bankruptcy remains so immediate?

The OECD is right of course, to counsel against easy solutions to unemployment. The long-term challenge of tackling unemployment, and creating more high-wage jobs, is not easily understood, let alone solved. But finding corporate structures which encourage managers, workers and bankers to take a longer-term view must be part of that solution. The OECD's decision not to explore how differences in corporate governance affect wages, profits and investment leaves a gap which needs to be filled.

EMERGING MARKETS: This Week

The Emerging Investor / Wayne Aponte

An image of Japanese caution

Ask Mr Yoki Satani about Japanese investment attitudes toward emerging markets and the account executive for the foreign stocks division of Nomura Securities will lose his native reserve and state pointedly that the general image among his domestic clients is one of caution.

However, months of compelling statistical data and favourable articles, pleading and persistence finally persuaded at least one of his Japanese client's to invest a small percentage of funds into Hong Kong late last year. This reluctant move ultimately earned the client dividends, and saved face for Mr Satani.

The descent of Japanese equity prices, now languishing in their fourth year of weakness, and bad economic conditions, have made domestic investors extremely cautious about putting money into equities, either at home or abroad.

Recently, however, some life insurance companies, trust accounts at trust banks and investment trust management companies have started to look to south and east Asia for better returns on their investments. Brokers speculate that this trend will continue, eventually including key markets in eastern Europe and Latin America. For instance, some domestic investment trusts have begun to offer funds specialising in stocks from other Pacific Rim countries to accommodate a slowly growing interest in emerging markets.

One such is Nomura Securities Investment Trust Management, which established the Asian Open Fund last October, and saw its value double in three months to $2bn.

Mr Giles Scott, director of sales at Barings Securities Japan, expects a further disinvestment of monies into Pacific Rim funds from retail investors staring in April, the start of the new fiscal year. "Cash rich people are looking for other investment opportunities and are finding the rest of Asia more attractive than Japanese markets," he says.

Nevertheless, the level of investment remains low – less than 1 per cent of the funds that Japanese securities houses have available to allocate – according to the Investment Trust Association. In general, Japanese investors have been slow to see the potential of other Asian equity markets and the growth in emerging markets worldwide. This stems partly from ignorance – most institutions have had limited historical exposure to overseas equity markets, while traditionally they have looked to western Europe and the US for fixed income instruments and equity markets with deep liquidity.

Another reason is a fear of the unknown, preventing them from taking immediate action, even when the performances of emerging markets has proved otherwise. But the primary explanation for caution has been the country's economic doldrums, and the severe equity losses suffered by institutions in recent years.

Direct overseas investment during fiscal 1992 dropped by 17.9 per cent to $34.1bn, representing half the amount invested during fiscal 1989, the peak year. According to the ministry of finance, in the first half of fiscal 1993 it declined another 9.6 per cent, compared with a year ago.

Mr Toshihide Sakamoto, a director of the sales division at Salomon Brothers Asia, believes domestic institutional investors will limit foreign investment until the Nikkei starts to show significant signs of improvement. "If you have Y1bn and you are losing Y900m, you cannot take the risk," [by investing in overseas markets] he says.

One effect of declining stock prices, together with falling domestic interest rates, is that institutional investors, pursuing a higher yield, have sold some of their foreign stock holdings: $3bn in 1992, the first net sale in 12 years, compared with a net purchase of $3.6bn in 1991.

But given the impressive performance of emerging markets in 1993, will Japanese investors become more active in the future? Assuming the Tokyo stock market improves, Mr Sakamoto expects investment "to grow dramatically over the next three years".

Ten best performing stocks

Stock	Country	Friday $ close	Week on week change $	%
HM Sampoerna	Indonesia	8.2579	2.5372	44.35
Korean Air	S. Korea	27.3484	5.3589	24.37
Finance One	Thailand	16.9025	3.1824	23.20
Krisda Mahanakorn	Thailand	5.6997	0.9957	21.17
Kepco	S. Korea	32.6672	5.6151	20.76
Hyundai Engineering	S. Korea	49.7432	8.4858	20.57
Madeco	Chile	3.4479	0.5098	17.35
Samsung Electronics	S. Korea	90.3298	16.6323	16.26
Yukong	S. Korea	55.5590	7.6311	15.92
TPI Polene	Thailand	6.6431	0.8806	15.28

Source: Baring Securities

Incentives to ease pandemonium

Investors in the Istanbul stock exchange are waiting to see if the dust settles this week after recent convulsions in Turkish money markets forced the government to devalue the lira, *writes John Murray Brown.*

The equity market closed on Friday down 4.9 per cent, but off a mid-session fall of more than 7 per cent, as investors were encouraged by reports that the government was to provide new incentives for companies going public. With the lira devalued by 12 per cent late on Wednesday, the index has lost 38 per cent in dollar terms since January 21.

Mr Stuart Harley, of Schroders, says that the worst is probably now over, although concern remains over prospects for higher inflation.

The authorities face another test of nerve this week with the redemption of some TL7,000bn worth of government paper on Wednesday and Thursday. This could create renewed pressure on exchange rates – the continued volatility in money markets was underlined again on Friday when overnight rates briefly touched a heady 450 per cent.

By announcing a new range of incentives Mrs Tansu Çiller, the prime minister, hopes to avoid any repeat of last week's market pandemonium.

Following moves to tighten monetary policy, the additional demand for treasury paper is expected to hold back equity prices. Nonetheless, Istanbul brokers say that in spite of the dramatic collapse of dollar share values, there has been little move by foreign investors to liquidate holdings.

■ Strategy

Morgan Stanley's Barton Biggs notes in his latest comment on trends in emerging markets that he considers 1994 should see a significant shift in investor attitude. "I think getting the country decision right will be much more important ... in 1993 if you caught the re-rating of one region, Asia, you didn't have to worry much about countries, groups or stocks. I think it's going to be much more challenging in 1994".

● The Emerging Markets Traders Association has elected Mr Alexis Rodzianko, managing director at Chemical Bank, as chairman for 1994.

News round-up

■ Latin America

With worries that a severe correction is imminent among Asia's equity markets, Kleinwort Benson's Latin American team, headed by Roger Palmer, is claiming that the region is less exposed "to any bursting of the liquidity bubble".

This view is based on the fact that the Asian markets have been driven ever higher by a wash of foreign, notably US, money, while the same funds' exposure to Latin America has been small.

Therefore, when US interest rates finally rise, the argument goes, Latin America should be immune to the fall-out.

■ Poland

Argument and counter-argument continue to swirl around the equity market after last week's listing of Bank Slaski.

On the first day of trading the shares rocketed 1,250 per cent from the offer price of 500,000 zlotys ($23).

Now many are saying that the price was too low, while the securities commission is investigating the delay in processing applications, which has left some unable to trade shares on the exchange.

On Friday the government minister responsible for privatising the country's banking sector was sacked.

■ Indonesia

The government is considering privatising some state-owned companies on foreign stock exchanges, although this is unlikely to include Garuda Indonesia, the state airline, for the time being.

■ Fund growth

Emerging market funds could double in 1994, following rapid growth in the last few years, Peter Jeffreys of Fund Research told a conference in London last week.

The number of funds has risen from 65 in 1990 to 525 in 1994, he said, with 467 being equity funds with the remaining debt funds.

Some $120bn has been invested over the last decade, with more than 50 per cent of that total coming in 1993, he added.

■ Brazil

Smith Barney Shearson is understood to have raised its weighting of Brazilian equities in its model Latin American portfolio from 10 per cent to 15 per cent.

"The economic and political outlook for Brazil shows signs of improving more rapidly than we had originally anticipated," the broker said.

It recommended buying on the market's recent weakness, which it said was due to profit-taking after a strong recent rally.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

CURRENCY MARKETS — Philip Gawith

Japan yen remains market's focus

In a big week for monetary policy watchers the Japanese yen is likely to remain the centre of attention for foreign exchange traders.

The aftermath of the Saturday deadline for political reform and the continuing uncertainty surrounding economic and trading relations between Japan and the US will determine the movements of the yen.

Although the dollar weakened by over three yen last week, many analysts argued that this was a short-term move dictated by the confused political situation in Tokyo and that the dollar should be a strong currency over the medium term.

Late on Friday hopes were growing that conditions might be in place for a new fiscal package to boost the economy, possibly presaging a new shift in sentiment.

Monetary authorities in the UK, Germany and the US will review official interest rates this week.

A change in UK rates seems unlikely when Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, meet on Wednesday. But the outcome of Thursday's Bundesbank council meeting and the US Federal Open Market committee meeting on that day and Friday is less clear.

Last Friday's news of subdued US inflationary pressures in the fourth quarter has dampened expectations of an early Fed tightening.

It also gave a boost to the D-Mark, triggering hopes in Germany that the Bundesbank would no longer be deterred from cutting its official interest rate by weakness of the currency.

However, the possibility of labour unrest, signalled by threatened stoppages from the IG Metall trade union in support of a 6 per cent pay claim, may persuade the Bundesbank to remain cautious. IG Bau, the construction union, is also demanding 6 per cent while banking sector unions hold wage talks in two weeks time.

With regards to the dollar the markets are looking ahead beyond the last quarter's robust growth to the future.

Mr Neil MacKinnon, chief currency strategist at Citibank, argued that: "The Fed will act cautiously on interest rates. I don't think they will act aggressively at all."

He reasoned that although the economic data has been bullish, tax rises in the current quarter will weigh on economic growth.

Some commentators said hesitation by the Fed would have a positive impact on Europe.

Mr Tony Norfield, UK treasury economist at ABN-AMRO bank, said that the prospect of European rate cuts had become more likely because the likelihood of a tightening of policy by the Fed had receded.

Baring Securities emerging markets indices

Index	28/1/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (239)	174.01	0.15	0.09	8.71	5.27	5.60	3.33
Latin America							
Argentina (19)	123.78	4.21	3.52	11.92	10.65	8.40	7.28
Brazil (18)	178.19	-20.75	-10.53	38.50	27.56	38.54	27.60
Chile (12)	169.40	1.15	0.68	21.09	14.22	21.86	14.82
Mexico (22)	170.10	4.46	2.69	10.22	6.40	8.84	5.48
Latin America (71)	166.72	-1.89	-1.12	19.00	12.86	17.48	11.71
Europe							
Greece (14)	97.48	-4.46	-4.37	13.25	15.73	14.39	17.32
Portugal (13)	126.41	4.70	3.86	13.95	12.40	14.28	12.74
Turkey (22)	125.91	-55.61	-30.64	-22.91	-19.19	-35.80	-22.14
Europe (49)	115.94	-11.71	-9.18	4.41	3.95	3.70	3.30
Asia							
Indonesia (17)	178.11	1.90	1.08	12.08	7.27	7.07	4.13
Korea (23)	123.18	12.91	11.70	13.63	12.44	13.48	12.29
Malaysia (21)	214.77	9.19	4.47	-36.23	-14.43	-38.28	-15.13
Philippines (9)	283.38	-28.96	-9.27	-29.30	-9.37	-39.10	-12.12
Thailand (20)	244.63	18.02	7.95	-12.36	-4.81	-18.93	-7.18
Taiwan (29)	152.27	1.15	0.76	17.39	12.90	-1.44	-0.94
Asia (119)	204.05	7.51	3.82	-10.73	-4.99	-17.37	-7.84

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 28, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2721.68	1810.11	1047.97	1658.85	Gambia	(Dalasi)	12.57	8.3598	4.84	7.6613	Pakistan	(Pak. Rupee)	45.4534	30.2297	17.5015	27.7038
Albania	(Lek)	165.00	109.737	63.5324	100.567	Germany	(D-Mark)	2.5971	1.7272	1	1.5829	Panama	(Balboa)	1.5036	1	0.5789	0.9164
Algeria	(Dinar)	36.2761	24.1274	13.9686	22.1113	Ghana	(Cedi)	1267.50	842.977	488.044	772.536	Papua New Guinea	(Kina)	1.5558	1.0347	0.599	0.9482
Andorra	(Fr Fr)	8.8397	5.879	3.4036	5.3877	Gibraltar	(Gib £)	1.00	0.665	0.385	0.6094	Paraguay	(Guarani)	2697.00	1793.7	1038.47	1643.81
	(Sp Peseta)	210.5416	140.025	81.0679	128.324	Greece	(Drachma)	373.3439	248.3	143.754	227.552	Peru	(New Sol)	3.2538	2.164	1.2528	1.9831
[illegible]																	

Special Drawing Rights January 27, 1994 United Kingdom £0.922348 United States $1.37817 Germany D Mark2.40432 Japan Yen151.047 European Currency Unit Rates January 28, 1994 United Kingdom £0.747225 United States $1.11689 Germany D Mark1.94330 Japan Yen122.853

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. ‡Turkey: January 28, 1994, Lira devalued by approx. 11.97%

Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Friday, January 28, 1994

WORLD BOND MARKETS: This Week

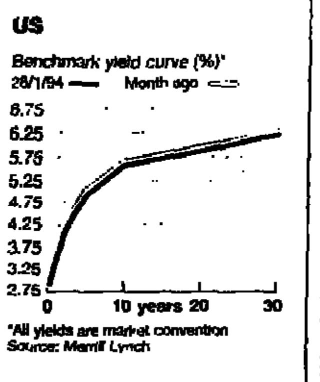
NEW YORK — Martin Dickson

The US bond market, having rallied strongly late last week on hopes of subdued inflation, will have plenty of fresh information to absorb over the next five days, which will bring significant new data on the strength of the economy, and perhaps some clues to Federal Reserve thinking.

The benchmark 30-year Government bond ended last week yielding 6.21 per cent, against 6.28 per cent a week earlier, as fourth-quarter GDP figures convinced Wall Street inflation was not an immediate problem and the Fed was unlikely to tighten policy in the near future.

Mr Alan Greenspan, the Fed chairman, is scheduled to go before Congress's joint economic committee today to discuss the economic outlook, and the market will be scouring his testimony for clues on interest rates.

Fed policy will be set on Thursday and Friday at its Open Market Committee meeting. It is expected to



*All yields are market convention
Source: Merrill Lynch

discuss tightening monetary policy for the first time in five years, although many analysts think a move may not happen until the early spring.

The Fed will be able to chew over the first major economic indicator for January – employment figures due out on Friday morning.

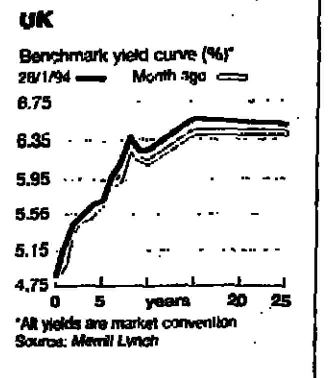
The Treasury will also announce its February refunding plans during the week, including an auction of 30-year bonds.

LONDON — Philip Coggan

The monthly monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, on Wednesday is likely to dominate market attention this week. Although the meeting has been brought forward by a week, Mr David Walton, UK economist at Goldman Sachs, is not expecting any immediate action on interest rates.

"Economic activity looks relatively buoyant," says Mr Walton, pointing to the recent CBI industrial trends survey. He also thinks today's figures for M0, the narrowest measure of the money supply, will show strong growth. The consensus forecast is that M0 will have risen 5.8 per cent in the year to January.

Mr Simon Briscoe of S. G. Warburg Securities argues that "the Treasury will surely want to see January retail sales figures and to gauge the follow-through from the buoyant CBI survey" and



*All yields are market convention
Source: Merrill Lynch

he doubts that a rate cut will be sanctioned.

The market may spend part of the week digesting last week's disappointing auction of 2010 stock. Foreign investors normally prefer 10-year stock but Yamaichi International (Europe) argues that the lack of overseas demand has set alarm bells ringing as to whether next year there will be as much take-up of gilts by foreign investors as seen in the current financial year.

FRANKFURT — David Waller

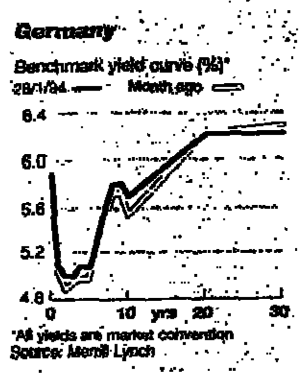
The Bundesbank policy-making council meets on Thursday for the third time this year and could well seize the opportunity to cut the discount rate for the first time since October.

One positive factor is that inflation is coming back under control – the 3.4 per cent rise in prices in January reported last week was better than expected and points to inflation down to below the 3 per cent for 1993 as a whole.

Another is the Bundesbank's insistence that however dreadful the delayed money supply figures for December turn out to be, this should be put down to special factors.

The Bundesbank is encouraging markets to look ahead, saying that in January M3 growth subsided.

Ms Alison Cottrell at Midland Global Markets Research in London says the easing may come via a move to a 28-day variable-rate repo tender on Tuesday. This would the first move from fixed-rate



*All yields are market convention
Source: Merrill Lynch

repos since early November and could usher in a cut in "official rates" on Thursday.

She argues that the recent weakness of the D-Mark will not discourage a rate cut – "the D-mark is weak precisely because interest rate easing is already discounted".

In the bund market further easing is not so well discounted and yields on 10-year bunds are likely to fall from Friday's 5.72 per cent level if the Bundesbank acts.

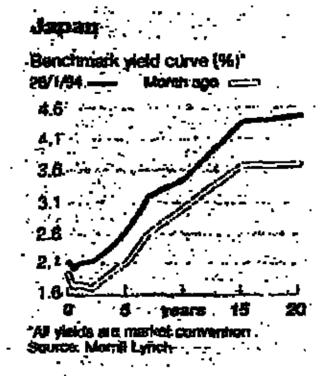
TOKYO — Emiko Terazono

The last-minute passage of the coalition government's political reform bill over the weekend may further dampen sentiment on the Japanese government bond market.

Bond traders fear an economic stimulus package, likely to be announced this week, will mean extra supply and a formal announcement may prompt profit-taking.

The bond market has already been hit by fears of oversupply, triggered by a recent government announcement that it will auction bonds outright rather than with repurchase agreements.

Also, while the government has indicated that an income tax cut to boost the slumping economy will ultimately be funded by an increase in consumption taxes, an immediate rise is impossible. Last Saturday, Mr Morihiro Hosokawa, prime minister, said he was not considering a sales tax hike at the moment, and Mr Masayoshi Takemura, chief cabinet secretary, on



*All yields are market convention
Source: Merrill Lynch

Sunday said the income tax cut will be funded by government bonds.

An income tax cut larger than Y6,000bn to Y7,000bn is likely to discourage investors and profit-taking by institutional investors ahead of the March book closing may also weigh on the bond market.

A recovery in the stock market is also negative for bonds, as hopes of a cut in the official discount rate cut fade with a rally in share prices.

Capital & Credit / Conner Middelmann

Fund managers gear up for a bear market

Fixed-income fund managers have had a glorious run in the last few years, riding on the crest of a global bond rally that sent yields tumbling close to their historical lows.

But while many bond fund managers are still preoccupied with wringing the last gains out of the ebbing rally, others are gearing up for the phase expected to begin in the latter half of this year: a period of stable or slowly rising interest rates, which will make it much harder to prosper using conventional bond strategies.

"Bond management is a bull-market profession, where fund managers seek to identify markets where interest rates are falling," says Mr Paul Abberley, director and head of fixed income at Lombard Odier Investment Management in London. "However, that style will become obsolete in a period of interest-rate stability or rising interest rates."

In anticipation of the bear market, Lombard Odier began to reassess its investment management style 18 months ago.

It is important, says Mr Abberley, to expand one's investment universe to include countries outside the OECD and focus increasingly on emerging bond markets. Lombard Odier invests in emerging markets on a minor scale at present but over the next year these markets are expected to play a more active role in its portfolio construction.

Investment managers may want also to refine the way they take bets on interest rates.

Rather than looking for markets where interest rates are falling, causing bond yields to fall and prices to rise, they need to identify markets where interest rates are changing, whatever the direction.

"As long as you have interest rate changes, you can structure securities in such a way as to take advantage of those changes," says Mr Abberley.

With increased liquidity in the derivative markets, a growing array of structured products is becoming available. Bond investors who cannot buy derivative instruments can take the same view by purchasing bonds with embedded options, for example.

This allows them to implement their own views when they are at odds with the market and means they can make money irrespective of the direction of rates and yields.

Mr Abberley says an environment of stable or rising interest rates also requires more active yield curve management (taking long or short positions in different parts of the yield curve); sector plays (trading the volatility in spreads between different sectors of a bond market); and volatility trades (applying sophisticated derivatives strategies).

Different interest rate scenarios can suggest various yield-curve plays. For example, in an environment of stable interest rates and a positive yield curve, a yield-curve play could simply involve riding the curve.

Most markets approaching the end of the interest rate cycle have positive yield curves, where short-term rates are below long-term rates. An investor who buys and holds a long-dated, higher-yielding bond, will benefit when the yield declines as it gets closer to maturity, generating capital gains.

In an environment of rising short-term interest rates, it might be more appropriate to play the yield curve at both ends, since yield curves rarely move in a parallel fashion.

Rate increases at times of low inflation could be seen by market participants as an indication of a central bank's commitment to containing inflation. This may cause yields to fall and prices to rise at the long end of the yield curve.

At the short end, however, the opposite may happen, with yields rising and prices falling on such rate increases.

In that context, one useful strategy could be to establish a short position in short-dated, say two-year, bonds and a long position in long-dated, say seven to 10-year bonds, if one believes that the fulcrum, or pivot, of the yield curve lies somewhere between the two.

One prerequisite for applying such strategies is that the portfolio guidelines allow fund managers to go short of securities, a strategy many fund management groups are not allowed to implement.

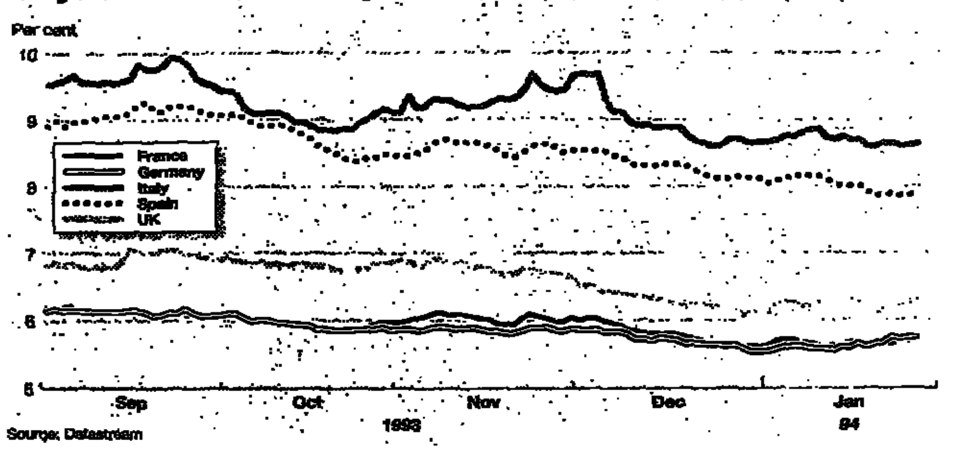
"If you take aggressive views on interest rates, some feel it becomes speculation. Some institutions have had a close look at whether this is an acceptable style of managing their assets," says Mr Abberley.

Another senior bond fund manager warns of the temptation of leveraging a bond portfolio through complex structured strategies or investment in lower-rated credits.

"We haven't yet devised a strategy for managing our portfolios in a bear market, but we won't start getting speculative, or go for negative duration [run synthetic short positions on bonds]," he says. "We won't bet the farm."

Still, more liberal investment guidelines clearly can boost a fund's performance. Lombard Odier's conventional bond funds last year outperformed its benchmark indices by roughly 5–8 per cent. In contrast, one of its more liberally structured portfolios was able to outperform its benchmark index by 13.5 per cent in 1993.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.60[1]	8.00	5.50[2]
Overnight	2.98	2.31	6.88	6.31	8.37	4.43
Three month	3.01	2.16	5.88	6.06	8.37	4.67
One year	3.47	2.09	5.12	5.56	7.81	4.75
Five year	5.01	2.68	5.13	5.08	8.25	5.09
Ten year	5.64	3.48	5.70	5.70	8.59	6.43

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int
Mar	116-26	117-14	0-21	117-28	116-18	320,978	331,592
Jun	115-23	116-12	0-22	116-24	115-14	4,424	21,191
Sep	114-25	115-12	0-21	115-24	114-25	5,483	31,246

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 8½pc 1994		100⅛xd	—	2,100	Fe3 Au3	29.12	4871
14½pc 1994‡‡		100⅞xd	-.1	550	Mr1 Se1	26.7	1307
Exch 13½pc 1994		101¾	-.2	1,100	Ap27 Oc27	20.9	1267
Treas 10pc Ln 1994‡‡		101⅝	-.1	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994		104⅛xd	-.2	1,240	Fe22 Au22	16.7	1263
Treas 9pc 1994‡‡		103⅛	-.1	1,900	My17 Nv17	11.10	1345
[illegible]							
10pc 2003		125⅞	-.4	2,503	Mr8 Se8	2.8	1281
Treas 11½pc 2001-4		128⅞	-.2	1,620	Mr19 Se19	13.8	1290
Funding 3½pc '99-4		84⅞	-.9	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		123⅞	-.8	3,412	Ap25 Oc25	20.9	1246
Treas 6¾pc 2004‡‡		103⅞	-.8	3,250	My26 Nv26	—	—
6¾pc 2004 A (£50 Pd)		53⅞	-1.3	3,000	My26 Nv26	—	—
Conv 9½pc 2005		124⅞	-.6	4,842	Ap18 Oc18	13.9	1247
[illegible]							
9pc 2000‡‡		115⅞xd	-.1	5,358	Mr3 Se3	28.7	1244
Treas 13pc 2000		135¾	-.3	3,171	Ja14 Jy14	8.12	1289
10pc 2001		121⅛xd	-.3	4,406	Fe26 Au26	20.7	1280
7pc '01 ‡‡		105¾	-.3	3,250	My6 Nv6	—	—
9¾pc 2002		122⅛xd	-.4	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡		112¾	-.2	7,600	Ja10 De10	3.11	—
Consols 4pc		56⅞xd	-1.5	359	Fe1 Au1	29.12	1238
War Loan 3½pc‡‡		63½	-1.6	1,909	Jn1 De1	25.10	1352
Conv 3½pc '61 Aft		89¾	-1	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft		42¾	-3.8	56	Ap5 Oc5	1.9	1324
Consols 2½pc		37¾	-2.2	275	5JaApJyOc	1.12	1238
Treas. 2½pc		36⅝	-2.1	475	Ap1 Oc1	25.8	1315
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	136⅞	—	500	My16 Nv16	11.10	5070
2pc '96	(67.9)	202⅞	—	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	112½	-.1	800	Ap27 Oc27	20.8	—
2½pc '01	(78.3)	176⅞	-.2	1,500	Mr24 Se24	18.8	1316
2½pc '03	(78.8)	172¾	-.3	1,050	My20 Nv20	14.10	1317
4⅝pc '04‡‡	(135.6)	117¾	-.4	850	Ap21 Oc21	14.9	—
2pc '06	(69.5)	181½	-.5	1,550	Ja19 Jy19	13.12	1314
[illegible]							
LCC 3pc '20 Aft		39⅞	-1.9	26	1MrJeSeDe	1.8	—
Manchester 11½pc 2007		136	-.9	6	Ap25 Oc25	30.3	3276
Met. Wtr. 3pc 'B'		77⅞	-.3	25	Mr1 Se1	1.8	3381
N'wide Anglia 3⅞pc 2021		149⅞	-.7	60	Ja30 Jy30	1.93	3465
4⅛pc IL 2024		143⅞	-1.0	50	—	20.7	—
Utd Mex States 16½pc 2008		156	-.9	50	Mr1 Se1	27.8	—

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

Dragon breathes new life into Asia

Asia's Dragon bond market started life with more of a whimper than a roar. But two years after its inception, efforts to create an active capital market serving the Asian region are slowly paying off.

A Dragon bond is similar in structure to a Eurobond, but is listed in Asia (usually in Hong Kong or Singapore), targeted at investors in the region, and launched in the Asian time zone.

The Asian Development Bank (ADB) launched the first Dragon issue at the end of 1991. Its aim was to focus attention on the development of a regional capital market, given that some of the domestic bond markets were either illiquid or relatively unsophisticated.

In Asia's fast-growing economies savings ratios are high and central banks are flush with reserves: yet the problem remained how best to mobilise these funds so that they could be channelled into infrastructure projects in a rapidly-developing region.

Typically, investors pour money into the region's stock markets: the ADB thought it might make more sense for these funds to be diverted into bonds and used to provide long-term, fixed-rate financing for construction and energy projects.

Alas, it certainly did not work out that way in the first two years for the actual Dragon issues. A cursory glance at the list of borrowers in the Dragon bond market shows that the overwhelming majority are non-Asian names, such as General Electric Capital Corporation, Nordic Investment Bank, and European Investment Bank.

Most of them wanted to raise their profile among Asian investors (such as central banks, bond funds and retail investors) by issuing debt in the region, thereby widening their investor base.

Adding to the non-Asian flavour, investors complain about the poor liquidity which characterises these relatively small bond issues (most are for $200 to $300m), and the fact that the overall yield tends to be low (only 10-30 basis points above the US Treasury bond yield), reflecting the high credit rating of the borrower and historically low US bond yields.

Hopefully, these grumbles will be resolved. Already, there are signs that more Asian names are gearing up to tap the market. The People's Republic of China launched a $300m, 10-year issue last October and other Asian names – including The People's Construction Bank of China – are rumoured.

Those with a long-term interest in ensuring the success of the Dragon bond market claim that it was necessary for the non-Asian supranationals and triple-A rated names to make an appearance at an early stage. "The whole process of establishing a market takes time and you need top-rated names to pave the way – you simply cannot just start a market with the lesser credits in the region tapping it first," says one banker.

As more of the lower credits in the region have the confidence to tap the market, Asian investors should be able to buy paper with a more generous yield.

Where the development of the Dragon bond market has proved a success is in encouraging international banks to expand their operations in the region and to explore the domestic capital markets.

Ms Ellen Miller, executive director of the bond syndicate at Lehman Brothers, London, points out that some of the international houses have become more involved in domestic instruments.

International investors are also showing much more interest in the domestic debt instruments of countries such as Hong Kong, Thailand, Malaysia and Indonesia.

The more cynical bond specialists dismiss the Dragon bond as a mere marketing gimmick, but even they are prepared to admit that it has helped to focus attention on the development of debt markets in the region and should encourage Asian borrowers to eventually launch more large, global issues.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kissei Pharmaceutical(a)◊	100	Feb.1998	1.375	100.00	-	-	Daiwa Europe
PIV Investment Fin.(Cay.)(b)§	175	Dec.2000	4.50#	100.00	-	-	Morgan Stanley Intl.
Peal Y-ITC Construction(c)§	100	Feb.2001	5.00	100.00	-	-	Peregrine Capital
Wall St Finance & Secs.(d)§	50	Feb.2004	3.75	100.00	-	-	Daiwa Europe
SCCMT I, Series 1994-1, A(z)	750	Feb.1997	4.65#	99.858R	4.700	+35.4(4⅜-96)	Citibank
SCCMT I, Series 1994-1, B(z)	48	Mar.1997	4.85#	99.871R	4.896	+55 (4⅜%-96)	Citibank
Union Bank of Finland‡	100	Feb.1997	(e)	99.945R	-	-	Chemical Inv. Bank
Bank of Asia(h)§	75	Feb.2004	3.75	100.00	-	-	CS First Boston
Banco di Napoli‡	150	Feb.1999	(k)	99.20R	-	-	Merrill Lynch Intl.
Bear Stearns Companies‡	100	Feb.2004	(n)	100.00R	-	-	Bear Stearns Intl.
Halifax B/S(o)‡	75	Feb.1996	(q)	100.00	-	-	Paribas Capital Markets
Crédit National(t)‡	250	Feb.1997	(A)	99.77R	-	-	CS First Boston
Electrobras(u)	150	Feb.2002	8.875#	98.98R	8.877	+350 (m)	Nomura International
Tanayong(G)§	130	Mar.2004	3.50	100.00	-	-	Swiss Bank Corp.
CNCA(v)	100	Feb.1997	zero	100.00R	-	-	IBJ International
Commonwealth Bk. Australia‡	100	Feb.1995	(w)	100.00R	-	-	Salomon Brothers Intl.
Province of Ontario‡	2bn	Aug.1999	(A)	99.595R	-	-	Lehman Bros./M. Lynch
Credito Q'seas Bank(Cay)‡	200	Mar.1999	(x)	99.65R	-	-	CS First Boston
Gen. Electric Capl.Corp.(C)‡	100	Mar.1997	(C)	100.00R	-	-	Kidder Peabody Intl.
Oest. Postsparkasse(D)‡	100	Feb.1995	4.50#	100.00R	-	-	Creditanstalt
Queen Centre Funding(F)‡	60	Apr.1999	(F)	99.874R	-	-	Lehman Brothers Intl.
D-MARKS							
LKB Baden Württemberg(f)	750	Sep.2006	6.50	100.60R	6.430	+67 (6%-03)	JP Morgan Frankfurt
Rheinische Hypothekenbank‡	100	Feb.2004	(g)	102.375	-	-	Commerzbank
First Austrian Bank	150	Mar.2001	5.75	101.35	5.512	-	Commerzbank
WGZ‡	200	Mar.2004	(B)	102.05	-	-	DG Bank
YEN							
SBAB, Tranche A‡	15bn	Feb.1998	(A)	99.85R	-	-	Daiwa Europe/Fuji Intl.
SBAB, Tranche B‡	15bn	Feb.1999	(B)	99.70R	-	-	Daiwa Europe/Fuji Intl.
STERLING							
Rothschild Continuation(s)	125	undated	9.00	99.989R	9.001	+240(8¾%-17)	Gowett/Rothschild/SaLB
BOC Group	125	Feb.2004	6.75	99.29R	6.850	+57(6¾%-04)	CS First Boston
National & Provincial(p)‡	150	Feb.1999	(i)	99.98R	-	-	Goldman Sachs Intl.
HMC Mortgage Notes 11(y)‡	100	Mar.2021	(d)	99.925R	-	-	Lehman Brothers Intl.
FRENCH FRANCS							
CCCI	2bn	Feb.2002	6.00	97.92R	6.339	+70 (8½%-02)	CDC
DSL Finance	1.5bn	Feb.2004	5.75	98.67R	5.930	+22 (8¼%-04)	Deutsche Bank France
CANADIAN DOLLARS							
Province of Ontario	1.25bn	Feb.2024	7.50#	98.42R	7.635	+53 (8%-23)	G.Sachs/Nesbitt/Scotia
[illegible]							
Republic of Austria	1bn	Feb.2024	6.25	98.15R	6.390	+16 (7½%-23)	ABN Amro Bank
ITALIAN LIRE							
LKB Baden-Württemberg	300bn	Mar.2004	7.80	101.75	7.545	-	Credito Italiano
Sudwest LB Capital Markets	150bn	Feb.2004	8.00	101.80	7.738	-	Banca di Roma
[illegible]							

[illegible]

Schlumberger

SCHLUMBERGER 1993 EARNINGS

New York, New York, January 26 - Schlumberger Limited reported 1993 net income before an extraordinary item, of $583 million. This represents a 12% decline over last year and coincides with the worldwide collapse of the 2D seismic market, which more than offset the growth in North American oilfields. As a result, earnings per share of $2.40 were 13% below last year. Operating revenue rose 6% to $6.71 billion, boosted by the January 1993 acquisition of the remaining 50% of Dowell Schlumberger. The extraordinary item was a charge relating to the adoption of the new accounting standards for post-retirement benefits.

Following a 2% increase in drilling rig count worldwide during 1993, revenue and income were up significantly for Wireline & Testing, Dowell, Anadrill and GeoQuest. As the industry-wide swing from 2D to 3D seismic surveys continued, Geco-Prakla was further restructured to meet the anticipated type and level of activity in this new environment. Sedco Forex results were lower as expected, ending 1993 with their fleet repositioned in growth markets and their prospects for 1994 improved.

Led by Component Test of Automatic Test Equipment, Measurement & Systems revenue rose 4% in national currencies; however, because the US dollar was stronger than key European currencies, revenue in US dollars decreased 5% compared with a year ago.

According to Chairman and Chief Executive Office, Euan Baird, "The current weakness in the price of oil, caused primarily by the flattening of world demand in 1993, has cast a mood of uncertainty over the upstream spending of our customers. They will remain prudent until the OECD economies together begin to show clear signs of recovery."

In the fourth quarter, operating revenue was $1.75 billion, an increase of 7% over the prior year. Earnings per share were $0.51, 20% lower than the same quarter last year with the decline due mainly to the cost of down-sizing our seismic operation.

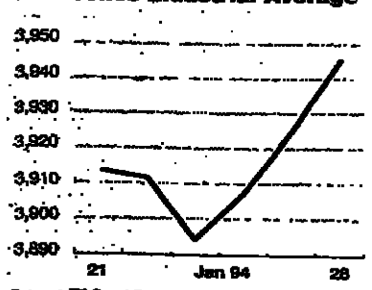
EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Keeping an eye on the weather

Dow Jones Industrial Average



Source: FT Graphite

To make an educated guess on the direction of US share prices this week, investors are advised to check the North American weather forecast.

With a fresh Arctic blast on the horizon, the US economy suddenly seems vulnerable, at least temporarily, just as the initial readings on its first-quarter performance are trickling into a snow-bound Wall Street.

Memories of the economy's deep freeze in the first months of last year, after a buoyant fourth quarter, are lingering. "Weather, after all, was the first explanation used to justify last year's early stall," says Mr Robert Barbera, an economist at Lehman Brothers in New York.

Few analysts expect any more than a brief downturn this year. However, a weather-induced slowdown could influence the financial markets.

Record-setting cold weather in the east, combined with the devastation of the California earthquake, has put sales of cars, industrial production and construction on ice over the past fortnight.

The extent of the damage may begin to surface today with the Chicago Purchasing Managers index of manufacturing activity. It will offer a preview of tomorrow's national survey, a closely watched measure of future economic strength.

However, the direct impact of the weather on economic activity is less important to the stock markets than its indirect influence over monetary policy. In view of the recent natural calamities, will the Federal Reserve decide a shift to tighter money is warranted when its policy-making arm, the Federal Open Market Committee, meets for the first time this year on Thursday and Friday?

That question has assumed greater urgency with last week's news of a 5.9 per cent jump in gross domestic product in the fourth quarter, more than a half point better than the consensus forecast.

"Unfortunately, nature seems determined to deny the Fed the accurate and timely information required" to make a well-considered decision, say Mr David Resler and Ms Carol Stone, economists at Nomura Securities International in New York.

Be that as it may, most Wall Street analysts believe the FOMC will hold its fire – rain, sleet or shine – especially after reading beyond the headline GDP figure. The data also included a surprisingly tame 1.3 per cent increase in the implicit price deflator, a good gauge of inflation.

As a result, stocks resumed their forward march late last week after consolidating in the first two trading sessions, when unease over technical conditions began to catch up with the market. On Thursday, the biggest one-day rise in the rate-sensitive Dow Jones Utility Average, viewed as market harbinger, put the blue-chip barometer back on track. The Dow industrials finished at 3,945.43, a second consecutive record.

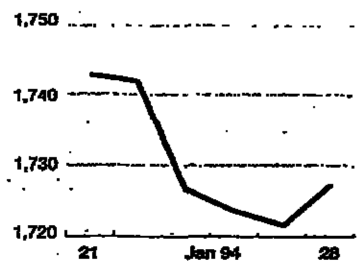
Is a sanguine mood justified? The market is sure to be listening attentively to today's Congressional testimony by Mr Alan Greenspan, the Fed chairman, for any hints about the FOMC's thinking. His words could well bring warmth and reassurance.

LONDON

Terry Byland

A period of consolidation in prospect

FT-SE-A All-Share Index



Source: FT Graphite

This morning sees the start of a new two-week trading account on the London market and if some of the signals being transmitted by the market in recent days are to be believed, could herald a period of consolidation.

Share prices are viewed by many observers as beginning to show signs of running out of steam. Turnover levels began to subside last week, compared with the virtually record levels achieved the previous week. Many old market hands said they had carried out more customer business during that five-day period than ever before. The Stock Exchange confirmed that recent activity approached all-time records.

So a tapering off of turnover levels would seem to indicate that the big UK and international funds may have, for the time being at least, carried out much of their new year reshuffling of portfolios.

Another potential indicator that the market may have topped out is the ratio of call/put activity on the FT-SE Option which, according to Smith New Court, the securities house, has seen call volumes rise sharply since the November budget, while put volumes have declined.

Sentiment, says Smith, has swung from extreme pessimism in October/November to the unusually optimistic; "This suggests that we should not be expecting a big move up in stock prices just yet, since everyone is already a bull."

International influences have also been at work; worries about the German economy have been translated into a weak Bund market, which translates into a weak gilts market and in turn into weak UK equities.

While adopting a more cautious view of UK equities, most strategists do not foresee a great downwards correction in the market, where there remains substantial underlying support. But the view of the head of trading at one of the leading UK integrated securities houses is that share prices are in for a period of consolidation.

February is viewed as a crucial month for the market as the results season gets fully under way. Any significant disappointments in profits and dividends will have a substantial impact on sentiment.

The spectre of some large-scale fundraising via rights issues accompanying the results flow in February, should also be borne in mind. NatWest Securities has forecast £8bn-worth of rights issues this year to take advantage of high ratings and liquidity in the equity market, compared with the £11.3bn total for 1993. The broker says this total will be easily swallowed by the cash-rich institutions and will have little effect on the overall market.

One area which could provide fresh upside impetus in share prices could be in the takeover arena, virtually bereft for many months. In recent weeks the electronics and composite insurance sectors have been alive with talk of imminent bids.

The two-week trading account brings results from two of the market's top five stocks, BT and BP. Any disappointments and the market will be unforgiving.

OTHER MARKETS

TOKYO

Parliamentary approval over the weekend of political reform is likely to encourage investors, already cheered by last Friday's unexpectedly strong industrial production figures announced after the market closed. Expectations that the government will announce an economic support package is also likely to help prices.

FRANKFURT

Speculation about lower interest rates will again be revived ahead of Thursday's Bundesbank Council meeting, although most analysts do not expect any move until later in February.

MADRID

Spain's Stock Exchange Commission has said that trading will resume tomorrow in Banesto, the troubled banking group in which the authorities intervened to impose a new management at the end of last month.

AMSTERDAM

KLM reports third-quarter results on Thursday. Hoare Govett, forecasting a net loss of Fl 11m after the Fl 438m deficit in the same 1993 period, says the results are currently being flattered by the pensions holiday announced last year, although cost savings, still to be implemented, should be more than sufficient to compensate when pension payments start again.

STOCKHOLM

Electrolux reports full-year figures on Wednesday. UBS, which is looking for a 50 per cent rise in net profits, says that expectations have been enhanced by the excellent results from SSAB earlier in the month.

ZURICH

Ares-Sereno, the Geneva based manufacturer of human fertility drugs hit by enforced price reductions on its products in many European countries, is expected to report a fall of about 10 per cent in full-year net profits on Wednesday.

PARIS

Creditor banks of Euro Disney, the struggling leisure group, meet in Paris on Wednesday to discuss the findings of an investigative audit commissioned from KPMG Peat Marwick. Walt Disney, the US parent, has already asked the banks to consider a series of restructuring proposals.

RISK AND REWARD

Exploding warrants exploit volatility of emerging markets

In the innovative field of emerging markets derivatives, Swiss Bank Corporation has come up with a new twist, designed to allow investors to benefit, rather than suffer, from the volatile price swings which typify emerging markets.

SBC has launched a series of call warrants on a basket of Eastern European debt with a novel feature: they are exploding warrants. This means that if the price of the underlying basket rises to a certain level above the strike price, the warrant is automatically exercised. This structure, developed in the currency options market, has not been used before on a public emerging markets transaction.

For the investor, the structure has several distinct advantages – and one clear disadvantage. The disadvantage is that the potential gain on the warrant is capped. But this allows the warrants to be priced much more cheaply.

In fact, the cost may be as much as 60 per cent lower. This is important as emerging market derivatives are often prohibitively expensive as a result of of the volatility of the underlying markets.

More importantly, even though they are European-style warrants (that is, can be exercised only on the day they expire), if the "exploding" strike price is reached, cash payment to investors is triggered automatically.

Not only does this remove the onus of tracking prices from the investor, it also means that investors will not have to watch their warrants rally for several months and then be caught by a sudden sell-off, which leaves the warrants to expire worthless.

The basket consists of Eastern European commercial bank debt, which SBC believes will rally further if debt restructuring agreements are reached. The basket contains 25 per cent each of Bulgarian syndicated loans and Poland's trade-related debt, with the remaining 50 per cent made up of loans for Russia's Vnesheconombank.

SBC has set the strike price at 47.5 per cent of the face value of the debt, and the explosion strike at 59.5 per cent. It the warrants explode, investors will have earned a 100 per cent return. The warrants cost $600, a 6 per cent premium.

SBC will hedge its own exposure by using delta-hedging techniques, which require it to hold a proportion of the underlying assets.

While the exploding structure is a new one, previous issues of emerging market warrants have been structured as knock-out options – that is, if the value of the underlying basket falls below a certain level, the warrants "disappear". These are even cheaper than exploding options, and they appeal to investors with a strong view on the market – in a volatile market they can be dangerous.

Investors in two recent warrant issues by Société Générale discovered this to their cost last week, when two knock-out warrant issues – one on Vnesheconombank debt and one on a basket of Polish and Vnesheconombank debt – disappeared, because the down-limits on the long-dated warrants were hit.

Consequently, Société Générale decided to issue a further two tranches of warrants – also totalling $200m – on Thursday.

The first are European call warrants with a down limit set at 32⅞ per cent of face value, 5½ per cent below the strike price of 38⅜ per cent (the mid-price of Vnesheconombank debt at pricing).

The second consists of European call warrants with the same strike price but without a knock-out feature. However, the second tranche is therefore more expensive, with an 8.4 per cent premium, compared with a 5 per cent premium for the first tranche.

Tracy Corrigan

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month: High		Low		1994: High		Low	
FT-SE 100	3,447.4	-1.1	+22.4	0.8	3,484.2	21/1/94	2,786.3	6/5/93	3,484.21	21/1/94	3,360.0	13/1/94
Dow Jones Ind.	3,945.43	+0.8	+19.3	+5.10	3,945.43	28/1/94	3,302.91	18/2/93	3,945.43	28/1/94	3,756.60	3/1/94
Nikkei	18,757.88	-2.8	+9.9	+7.7	21,148.11	13/9/93	16,078.71	29/11/93	19,307.43	21/1/94	17,369.74	4/1/94*
Dax	2,133.47	+2.8	36.1	-5.9	2,267.98	3/1/94	1,567.84	28/1/93	2,267.98	3/1/94	2,075.61	21/1/94
CAC 40	2,313.47	+3.1	+29.9	+1.8	2,331.33	11/1/94	1,772.21	29/1/93	2,331.33	11/1/94	2,234.78	17/1/94
Banca Com. Ital.	641.83	+4.6	+34.3	+3.6	641.83	28/1/94	475.01	31/3/93	641.83	28/1/94	588.85	10/1/94

FT Graphite

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 28 / Sch)

BELGIUM/LUXEMBOURG (Jan 28 / Frs.)

DENMARK (Jan 28 / Kr)

FINLAND (Jan 28 / Mka)

FRANCE (Jan 28 / Frs.)

GERMANY (Jan 28 / Dm.)

ITALY (Jan 28 / Lire)

NETHERLANDS (Jan 28 / Fls.)

NORWAY (Jan 28 / Kroner)

SPAIN (Jan 28 / Pts.)

SWEDEN (Jan 28 / Kronor)

SWITZERLAND (Jan 28 / Frs.)

PACIFIC

JAPAN (Jan 28 / Yen)

AUSTRALIA (Jan 28 / Aust$)

HONG KONG (Jan 28 / H.K.$)

MALAYSIA (Jan 28 / M$)

SINGAPORE (Jan 28 / S$)

NORTH AMERICA

CANADA

TORONTO (Jan 28 / Can $)

4 pm close

MONTREAL (Jan 28 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 28 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1, 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, January 28, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	329	+6	Nitsuko Corp	2.3m	1,120	+20
Kawasaki Steel	7.6m	340	+8	Japan Storage Battry	2.3m	733	+40
Fujitsu Ltd	3.5m	915	-5	Mitsubishi Heavy	2.3m	666	-4
Cosmo Oil	2.9m	802	-13	Tokyo Gas	2.0m	530	+2
NEC Corp	2.7m	966	-17	Nomura Secs	2.0m	2,070	-10

INDICES

US INDICES

NYSE Comp.	265.42	264.38	262.26	265.42 (28/1/94)	236.21 (8/1/93)	265.42 (28/1/94)	4.46 (25/4/42)
Amex Mkt Val	483.22	481.86	481.74	484.61 (20/1/94)	395.84 (8/1/93)	484.61 (20/1/94)	29.31 (9/12/72)
NASDAQ Comp	786.54	782.88	785.81	786.54 (28/1/94)	645.87 (26/4/93)	786.54 (28/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 21	Jan 14	Jan 7	Year ago
Dow Jones Ind. Div. Yield	2.59	2.62	2.65	3.16
	Jan 26	Jan 19	Jan 12	Year ago
S & P Ind. Div. yield	2.35	2.34	2.36	2.51
S & P Ind. P/E ratio	27.99	28.13	28.07	26.96

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	477.40	478.70	+1.15	480.15	477.25	58,317	184,482
Jun	479.50	479.70	+1.15	481.00	479.30	371	6,051
Sep	-	481.00	+1.20	482.40	480.70	36	888

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2280.0	2310.0	+36.0	2317.0	2269.0	35,979	17,480
Feb	2282.5	2322.5	+36.0	2329.0	2283.5	18,126	17,305
Mar	2304.5	2334.5	+36.0	2338.0	2285.5	2,062	42,148
Jun	-	2330.0	+36.0	-	-	-	2,315

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Cont Bank	4,812,400	34½	+6⅝
Daimler-Benz	4,806,900	47	+¼
Telefonos	3,945,500	72¼	+¼
Wal-Mart	3,393,300	28½	+⅛
BankAmerica	3,338,500	45⅝	-⅛
Sci Atlantic	2,916,700	27¾	-4
Citicorp	2,886,900	43½	+1¼
Merck	2,650,400	38	+¼
Sunshine Mn	2,463,800	2⅝	+⅛
US Surgical	2,463,800	31¼	+1½

■ TRADING ACTIVITY

● Volume (million)

	Jan 28	Jan 27	Jan 26
New York SE	312.636	348.282	304.647
Amex	21.838	19.119	17.541
NASDAQ	(u)	314.491	318.495
NYSE			
Issues Traded	2,736	2,735	2,740
Rises	1,302	1,317	1,185
Falls	763	769	875
Unchanged	671	650	680
New Highs	151	100	82
New Lows	10	18	29

** Sat Jan 22: Taiwan Weighted Price 5970.03; Korea Comp Ex 877.75. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jan 28 - 2156.61 +33.30.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
TSB American	6	228.25	228.25	242.82	-	4182
Do Accum	6	251.41	251.41	267.46	-	4438
TSB Brit Growth	6	101.56	101.56	108.03	1.55	4459
Do Accum	6	120.25	120.25	127.93	1.55	4460
TSB European	6	111.88	111.88	118.82	0.08	4461
Do Accum	6	118.69	118.69	126.26	0.08	4462
TSB Extra Income	6	221.80	224.86	239.21	3.35	4183
Do Accum	6	382.31	387.84	391.10	3.35	4484
TSB Smaller Cos	6	78.79	80.98	88.15	0.84	4185
Do Accum	6	87.56	80.02	95.77	0.84	4488
TSB General	6	308.02	312.51	332.46	1.93	4187
Do Accum	6	621.52	629.58	683.75	1.93	4488
TSB Premier Income	5	56.25	57.26	59.85	5.31	4489
Do Accum	5	122.84	124.24	129.42	5.31	4490
TSB Income	6	382.33	387.38	412.11	3.01	4191
Do Accum	6	809.77	820.41	872.78	3.01	4192
TSB Pacific	6	446.22	446.22	474.70	-	4167
Do Accum	6	468.86	468.86	498.79	-	4464
TSB International	6	573.49	576.74	613.55	0.02	4163
Do Accum	6	752.68	756.93	805.24	0.02	4108
TSB Nat Resources	6	179.49	182.02	193.64	-	4567
Do Accum	6	198.59	199.76	212.51	-	4469
TSB Sictd Opps	6	119.01	120.90	128.62	0.82	4142
Do Accum	6	150.17	152.57	162.31	0.82	4146
Environmental Inv	6	68.04	68.65	73.03	1.11	4808
Do Accum	6	73.49	74.15	78.89	1.11	4809
TSB Selector	6	69.16	70.26	74.74	1.84	4780
Do Accum	6	78.88	78.08	83.06	1.84	4781
TSB High Income	6	72.21	73.07	77.73	3.70	4488
Do Accum	6	87.86	88.91	94.58	3.70	4489
TSB Intl Income	6	63.98	64.38	68.49	4.53	4490
Do Accum	6	75.44	75.92	80.76	4.53	4491
TSB Selector Income	6	68.14	68.83	73.22	4.49	4492
Do Accum	6	77.44	78.21	83.20	4.49	4493

T.U. Fund Managers Limited (1200)H

NLA Tower, Addiscombe Road, Croydon 081-686 4355

T.U. British	5	358.9	364.3	383.4	2.40	4740
T.U. European		52.13	52.54	55.01	2.00	5040

Templeton Unit Trust Managers Ltd (1200)F

Atholl Crescent, Edinburgh EH3 8HA 031-228 9992

Global Growth Acc	6	228.74	228.20	245.14	1.52	4871
Global Growth Inc	6	207.47	207.89	222.75	1.52	4872
Global Balanced Acc	6	202.42	202.67	217.76	2.54	4889
Global Balanced Inc	6	177.67	177.84	190.22	2.54	4870
Value Tst Acc	6	138.57	138.90	146.42	1.32	4882
Value Tst Inc	6	135.13	135.44	134.16	1.32	4889

Thornton Unit Managers Ltd (1200)F

33 Queen Street, London EC4R 1AX 071-246 3000

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	Yield Gross	City-Line
UK Equities Ser 5	1004.7	1057.5	-	42223
Higher Income Ser 5	1086.5	1144.0	-	42224
Property Ser 5	524.4	552.0	-	42225
Fixed Interest Ser 5	429.4	451.9	-	42226
Index Linked Secs Ser 5	189.7	199.6	-	42227
Gtd Deposit Ser 5	288.8	304.0	-	42228
Nth America Ser 5	439.4	462.5	-	42229
Far East Ser 5	560.4	590.2	-	42230
Europe Ser 5	369.6	389.2	-	42231
International Ser 5	565.1	595.0	-	42232
Balanced Ser 5	718.2	755.9	-	42233
Reserve Ser 5	149.9	157.7	-	47039
Opportunity Ser 5	163.9	172.5	-	47040
Distribution Ser 5	110.2	116.0	-	47160
Pens Equity Ser 3 (z)	1414.9	1489.3	-	42234
Pens Higher Inc S 3 (z)	344.0	362.1	-	42235
Pens Fixed Int S 3 (z)	577.0	607.3	-	42236
Pens Index-Linked Sec S 3 (z)	248.4	259.7	-	42237
Pens Property S 3 (z)	437.8	513.4	-	42238
Pens N America S 3 (z)	181.1	201.1	-	42239
Pens Far East S 3 (z)	330.8	348.2	-	42240
Pens Europe S 3 (z)	206.2	217.0	-	42241
Pens Overseas S 3 (z)	845.2	889.6	-	42242
Pens Balanced S 3 (z)	829.7	873.3	-	42243
Pens Cash S 3 (z)	420.1	442.2	-	42244
Pens DAF Series 3 (z)	235.1	247.4	-	42245
Pens DAF Series 1 (z)	466.1	490.6	-	42246
Pens Opportunity S 3 (z)	179.2	188.6	-	47042
Pens Reserve S 3 (z)	173.4	182.5	-	47041

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City-Line
Prop. Ser. 1	272.9	287.3	-	41808
Equity Ser. 1	184.7	194.5	-	41809
Prop. Acc. Ser 2	498.3	524.6	-	41810
Equity Ser 2	239.7	252.4	-	41811
Selective Acc. Ser 2	503.1	529.6	-	41812
Prop. Ser. 4	388.1	408.6	-	41813
Equity Ser. 4	226.0	237.9	-	41814
Man. Ser. 4	696.0	732.7	-	41820
Fixed Int. Ser. 4	361.8	380.7	-	41815
Indexed Inv. Ser. 4	220.8	232.3	0	41818

OTHER UK UNIT TRUSTS

Britannia Life Assurance

50 Bothwell Street, Glasgow G2 6HR 041-248 2000

Crown Financial Management Ltd - Contd.

Hearts of Oak Insurance Group

Lifetime Assurance Co Ltd

Bank Hse, St John's Rd, Harrow HA1 2EE 081-861 5099

Midland Life Limited - Contd.

NM Life Assurance Ltd

Enterprise House, Portsmouth

Providence Capital Life Assc. Co Ltd

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Royal Life Insurance Ltd

New Hall Place, Liverpool L69 3HS 051-229 3000

Royal Liver Assurance

S-E-Baskoo Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Skandia Life Assurance Co Ltd (z)

Shandia Hse, Portland Terr, Southampton 0703 334411

Standard Life Assurance Company

Sun Alliance Group

Sun Life Assurance

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Friends Provident International Ltd

Isle of Man Assurance Ltd

Labrow International Group

PanEuroLife societe anonyme

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

Fairmount Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Cowie Invest Mngt Plc

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Pembroke Hall, Pembroke, Bermuda

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

Royal Bank of Canada Offshore Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

Schroder Investment Mngmt (Guernsey) Ltd

Scottish Value Management Ltd

ISLE OF MAN (SIB RECOGNISED)

GT Asset Management - Contd.

Morgan Grenfell Investment Funds Ltd (a)

Swiss Life Investment Fund - Prolnvo (a)

IRELAND (REGULATED)(**)

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

JERSEY (SIB RECOGNISED)

Barclays International Funds

JERSEY (REGULATED)(**)

Barclays Intl Funds

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2545	-0.0451	458 - 631	18.4565	18.2450	18.2583	-0.2	18.2677	-0.3	-	-	113.3
Belgium	(BFr)	53.6785	-0.053	492 - 078	54.1480	53.5900	53.7435	-1.5	53.8585	-1.3	54.1885	-1.0	113.7
Denmark	(DKr)	10.0986	-0.0086	917 - 054	10.1460	10.0840	10.1091	-1.2	10.1201	-0.9	10.1213	-0.2	114.6
Finland	(FM)	8.3446	-0.0511	348 - 543	8.4270	8.3340	-	-	-	-	-	-	81.9
France	(FFr)	8.8397	+0.0033	351 - 443	8.9025	8.8285	8.8473	-1.0	8.8594	-0.9	8.874	-0.4	107.7
Germany	(DM)	2.5971	-0.006	960 - 982	2.6095	2.5920	2.5988	-0.8	2.6004	-0.5	2.5999	-0.1	122.2
Greece	(Dr)	373.344	-0.528	094 - 594	374.520	372.850	-	-	-	-	-	-	-
Ireland	(I£)	1.0420	+0.0035	405 - 434	1.0435	1.0380	1.0425	-0.6	1.0436	-0.6	1.0464	-0.4	103.8
Italy	(L)	2543.34	+4.3	191 - 477	2549.70	2535.70	2549.49	-2.9	2562.19	-3.0	2608.39	-2.6	75.9
Luxembourg	(LFr)	53.6785	-0.053	492 - 078	54.1480	53.5900	53.7435	-1.5	53.8585	-1.3	54.1885	-1.0	113.7
Netherlands	(Fl)	2.9104	-0.0063	088 - 119	2.9235	2.9075	2.9103	0.0	2.9111	-0.1	2.9006	0.3	117.9
Norway	(NKr)	11.1906	-0.0032	853 - 958	11.2650	11.1605	11.1863	0.5	11.1811	0.3	11.1879	0.0	84.6
Portugal	(Es)	262.078	+0.815	857 - 298	264.653	260.590	263.353	-5.8	265.603	-5.2	-	-	-
Spain	(Pta)	210.542	+0.323	373 - 710	211.335	209.980	211.127	-3.3	212.327	-3.4	216.392	-2.8	85.4
Sweden	(SKr)	11.9091	+0.0266	984 - 198	11.9545	11.8890	11.9326	-2.4	11.9636	-1.8	12.0811	-1.4	77.0
Switzerland	(SFr)	2.1930	-0.0019	917 - 943	2.2050	2.1880	2.1911	1.1	2.1858	1.3	2.1616	1.4	117.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.4
Ecu	-	1.3390	-0.0003	380 - 399	1.3430	1.3365	1.3402	-1.1	1.3423	-1.0	1.3458	-0.5	-
SDR†	-	0.922340	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5035	+0.0113	030 - 040	1.5090	1.4970	-	-	-	-	-	-	-
Brazil	(Cr)	676.740	+10.294	545 - 935	680.000	663.000	-	-	-	-	-	-	-
Canada	(C$)	1.9913	+0.0339	904 - 922	1.9975	1.9755	1.9887	1.6	1.9828	1.7	1.9668	1.2	92.1
Mexico	(New Peso)	4.6695	+0.0315	667 - 722	4.6845	4.6505	-	-	-	-	-	-	-
USA	($)	1.5036	+0.0111	032 - 040	1.5100	1.4975	1.5009	2.2	1.4954	2.2	1.4811	1.5	66.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1251	+0.0215	238 - 264	2.1355	2.1140	2.1238	0.8	2.1213	0.7	2.1193	0.3	-
Hong Kong	(HK$)	11.6146	+0.0865	107 - 184	11.6555	11.5660	11.5929	2.2	11.5585	1.9	11.4584	1.3	-
India	(Rs)	47.1698	+0.3557	516 - 880	47.3340	46.9780	-	-	-	-	-	-	-
Japan	(Y)	164.073	+0.771	954 - 192	164.620	163.150	163.668	3.0	162.713	3.3	158.996	3.1	179.7
Malaysia	(M$)	4.1522	+0.0403	473 - 571	4.1605	4.1200	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6484	+0.0237	460 - 507	2.6570	2.6375	2.6513	-1.3	2.6556	-1.1	2.6642	-0.6	-
Philippines	(Peso)	41.6498	+0.3075	380 - 616	41.9700	41.0355	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6385	+0.0418	362 - 408	5.6580	5.6155	-	-	-	-	-	-	-
Singapore	(S$)	2.3945	+0.0087	931 - 959	2.4090	2.3871	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1314	+0.0277	289 - 339	5.1525	5.1125	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6722	+0.1069	629 - 815	6.6885	6.6190	-	-	-	-	-	-	-
South Korea	(Won)	1215.14	+8.97	459 - 568	1219.30	1210.30	-	-	-	-	-	-	-
Taiwan	(T$)	39.7703	+0.3161	845 - 560	39.9200	39.6800	-	-	-	-	-	-	-
Thailand	(Bt)	38.2519	+0.2376	264 - 768	38.4010	38.1060	-	-	-	-	-	-	-

†SDR rate for Jan 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1405	-0.1205	380 - 430	12.2130	12.1280	12.1635	-2.3	12.2052	-2.1	12.307	-1.4	102.6
Belgium	(BFr)	35.7000	-0.301	900 - 100	35.9000	35.5400	35.81	-3.7	36.02	-3.6	36.59	-2.5	103.1
Denmark	(DKr)	6.7163	-0.0557	135 - 190	6.7455	6.6905	6.7358	-3.5	6.7666	-3.0	6.8388	-1.8	103.3
Finland	(FM)	5.5497	-0.0758	447 - 547	5.5900	5.5265	5.5594	-2.1	5.5722	-1.6	5.6209	-1.3	78.5
France	(FFr)	5.8790	-0.0415	775 - 805	5.9090	5.8600	5.8947	-3.2	5.9248	-3.1	5.992	-1.9	104.0
Germany	(D)	1.7273	-0.0168	270 - 275	1.7385	1.7195	1.7316	-3.0	1.7391	-2.7	1.7557	-1.6	103.5
Greece	(Dr)	248.300	-2.2	200 - 400	249.600	247.300	251.3	-14.6	258.55	-16.5	289.3	-16.5	71.6
Ireland	(I£)	1.4431	+0.0059	415 - 447	1.4530	1.4390	1.4397	2.8	1.433	2.8	1.4151	1.9	-
Italy	(L)	1691.50	-9.7	100 - 200	1697.25	1685.80	1698.7	-5.1	1713.3	-5.2	1761	-4.1	76.6
Luxembourg	(LFr)	35.7000	-0.301	900 - 100	35.9000	35.5400	35.81	-3.7	36.02	-3.6	36.59	-2.5	103.1
Netherlands	(Fl)	1.9358	-0.0186	351 - 361	1.9470	1.9280	1.9391	-2.2	1.9452	-2.0	1.958	-1.2	103.0
Norway	(NKr)	7.4425	-0.0575	410 - 440	7.4730	7.4060	7.454	-1.9	7.4756	-1.8	7.5375	-1.3	94.5
Portugal	(Es)	174.300	-0.75	200 - 400	176.200	173.450	175.315	-7.0	177.4	-7.1	184.925	-6.1	94.4
Spain	(Pta)	140.025	-0.825	950 - 100	140.550	139.800	140.67	-5.5	142	-5.6	146.125	-4.4	80.9
Sweden	(SKr)	7.9204	-0.0411	154 - 254	7.9620	7.8865	7.9484	-4.2	7.9989	-4.0	8.1544	-3.0	82.7
Switzerland	(SFr)	1.4585	-0.0121	580 - 590	1.4667	1.4600	1.4597	-1.0	1.4616	-0.9	1.4595	-0.1	104.0
UK	(£)	1.5036	+0.0111	032 - 040	1.5100	1.4975	1.5009	2.2	1.4954	2.2	1.4811	1.5	91.3
Ecu	-	1.1230	+0.0085	225 - 235	1.1275	1.1185	1.12	3.3	1.1141	3.2	1.1006	2.0	-
SDR†	-	1.37817	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0002	999 - 000	1.0001	0.9998	-	-	-	-	-	-	-
Brazil	(Cr)	450.080	+7.57	070 - 090	450.110	450.050	-	-	-	-	-	-	-
Canada	(C$)	1.3244	+0.0129	241 - 246	1.3265	1.3170	1.325	-0.5	1.326	-0.5	1.3279	-0.3	88.7
Mexico	(New Peso)	3.1055	-0.002	045 - 065	3.1070	3.1045	3.1071	-0.6	3.1099	-0.6	3.1205	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.9
Pacific/Middle East/Africa													
Australia	(A$)	1.4133	+0.0038	128 - 138	1.4170	1.4100	1.4143	-0.9	1.4172	-1.1	1.4247	-0.8	88.7
Hong Kong	(HK$)	7.7245	+0.0005	240 - 250	7.7255	7.7240	7.726	-0.2	7.7285	-0.2	7.7395	-0.2	-
India	(Rs)	31.3713	+0.005	675 - 750	31.3775	31.3650	31.4363	-2.5	31.5713	-2.6	-	-	-
Japan	(Y)	109.120	-0.295	070 - 170	109.800	108.250	109.045	0.8	108.835	1.0	107.35	1.6	141.3
Malaysia	(M$)	2.7615	+0.0065	590 - 640	2.7645	2.7500	2.755	2.8	2.754	1.1	2.7765	-0.5	-
New Zealand	(NZ$)	1.7614	+0.0028	603 - 624	1.7630	1.7585	1.763	-1.1	1.7675	-1.4	1.7817	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.9000	27.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-	495 - 505	3.7515	3.7480	3.7524	-0.8	3.7568	-0.7	3.7755	-0.7	-
Singapore	(S$)	1.5925	-0.006	920 - 930	1.5985	1.5920	1.5914	0.9	1.5892	0.8	1.6015	-0.6	-
S Africa (Com.)	(R)	3.4128	-0.0068	120 - 135	3.4175	3.4040	3.4298	-6.0	3.4588	-5.4	3.5663	-4.5	-
S Africa (Fin.)	(R)	4.4375	+0.04	325 - 425	4.4430	4.4100	4.4685	-8.4	4.5275	-8.1	-	-	-
South Korea	(Won)	808.150	-	000 - 300	808.400	807.900	811.15	-4.5	814.65	-3.2	833.15	-3.1	-
Taiwan	(T$)	26.4500	+0.015	000 - 000	26.5200	26.3900	26.5525	-4.7	26.7	-3.8	-	-	-
Thailand	(Bt)	25.4400	-0.03	300 - 500	25.4700	25.4300	25.51	-3.3	25.65	-3.3	25.79	-1.4	-

†SDR rate for Jan 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. Morgan Guaranty Changes shown for Jan 27. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.62	16.47	4.838	1.941	4737	5.421	20.85	488.3	392.1	22.19	4.085	1.863	3.709	2.802	305.7	2.494
Denmark	(DKr)	53.15	10	8.752	2.571	1.032	2518	2.881	11.08	259.5	208.4	11.79	2.171	0.990	1.971	1.489	162.5	1.326
France	(FFr)	60.72	11.43	10	2.938	1.179	2877	3.292	12.66	296.5	238.1	13.47	2.481	1.131	2.252	1.701	185.6	1.515
Germany	(DM)	20.67	3.889	3.404	1	0.401	979.2	1.121	4.309	100.9	81.06	4.585	0.844	0.385	0.767	0.579	63.19	0.516
Ireland	(I£)	51.52	9.693	8.484	2.492	1	2440	2.793	10.74	251.5	202.0	11.43	2.105	0.960	1.911	1.443	157.5	1.285
Italy	(L)	2.111	0.397	0.348	0.102	0.041	100.	0.114	0.440	10.31	8.278	0.468	0.086	0.039	0.078	0.059	6.453	0.053
Netherlands	(Fl)	18.45	3.471	3.038	0.892	0.358	873.9	1	3.845	90.07	72.34	4.093	0.754	0.344	0.684	0.517	56.39	0.460
Norway	(NKr)	47.97	9.026	7.900	2.321	0.931	2273	2.601	10	234.2	188.1	10.64	1.960	0.894	1.779	1.344	146.6	1.197
Portugal	(Es)	20.48	3.853	3.373	0.991	0.398	970.2	1.110	4.269	100.	80.31	4.544	0.837	0.382	0.760	0.574	62.61	0.511
Spain	(Pta)	25.50	4.798	4.200	1.234	0.495	1208	1.382	5.316	124.5	100.	5.658	1.042	0.475	0.946	0.714	77.96	0.636
Sweden	(SKr)	45.07	8.480	7.422	2.181	0.875	2135	2.443	9.395	220.1	176.7	10	1.841	0.840	1.672	1.263	137.8	1.124
Switzerland	(SFr)	24.48	4.606	4.031	1.184	0.475	1160	1.327	5.103	119.5	95.99	5.431	1	0.456	0.908	0.686	74.83	0.611
UK	(£)	53.68	10.10	8.840	2.597	1.042	2543	2.910	11.19	262.1	210.5	11.91	2.193	1	1.991	1.504	164.1	1.339
Canada	(C$)	26.96	5.073	4.440	1.304	0.523	1277	1.462	5.620	131.6	105.7	5.982	1.101	0.502	1	0.755	82.42	0.673
US	($)	35.69	6.715	5.878	1.727	0.693	1691	1.935	7.440	174.3	140.0	7.919	1.458	0.665	1.324	1	109.1	0.890
Japan	(Y)	327.1	61.55	53.87	15.83	6.350	15497	17.73	68.19	1597	1283	72.58	13.36	6.094	12.13	9.165	1000.	8.160
Ecu		40.09	7.543	6.602	1.940	0.778	1899	2.173	8.357	195.7	157.2	8.895	1.638	0.747	1.487	1.123	122.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5778	0.5720	-0.0044	0.5795	0.5714	54,320	132,534
Jun	0.5710	0.5688	-0.0044	0.5765	0.5685	675	6,442
Sep	-	0.5684	-0.0044	0.5735	0.5665	9	287

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6835	0.6787	-0.0047	0.6885	0.6785	18,729	37,105
Jun	0.6805	0.6778	-0.0048	0.6874	0.6780	52	579
Sep	-	0.6782	-0.0048	-	-	1	27

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.9220	0.9095	-0.0095	0.9247	0.9065	56,978	82,453
Jun	0.9201	0.9124	-0.0095	0.9275	0.9090	259	6,505
Sep	-	0.9162	-0.0096	0.9285	0.9175	49	631

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5044	1.4910	-0.0154	1.5056	1.4900	23,648	45,627
Jun	1.4984	1.4840	-0.0154	1.4992	1.4850	51	1,422
Sep	-	1.4786	-0.0154	-	1.4790	1	10
Dec	-	1.4748	-0.0154	-		7 1.4750	10

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.400	9.52	9.26	9.61	-	0.04	0.16
1.425	7.07	6.91	7.00	-	0.08	0.43
1.450	4.61	4.66	5.01	0.19	0.31	0.92
1.500	2.37	2.75	3.33	1.04	0.89	1.72
1.500	0.77	1.39	2.09	2.79	1.97	2.66
1.525	0.13	0.57	1.20	5.14	3.59	4.46

Previous day's vol., Calls 13,983 Puts 9,078. Prev. day's open int., Calls 585,000 Puts 517,019

UK INTEREST RATES

LONDON MONEY RATES

Jan 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$5\frac{1}{2}$ - 3	$5\frac{3}{16}$ - 5	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
Sterling CDs	-	-	$5\frac{11}{32}$ - $5\frac{9}{32}$	$5\frac{11}{32}$ - $5\frac{9}{32}$	$5\frac{1}{4}$ - $5\frac{3}{16}$	$5\frac{7}{32}$ - $5\frac{5}{32}$
Treasury Bills	-	-	$5\frac{3}{16}$ - $5\frac{1}{8}$	5 - $4\frac{15}{16}$	-	-
Bank Bills	-	-	$5\frac{5}{32}$ - $5\frac{1}{8}$	$5\frac{3}{32}$ - $5\frac{1}{16}$	5 - $4\frac{31}{32}$	-
Local authority deps.	$6\frac{1}{16}$ - $5\frac{13}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{3}{8}$ - $5\frac{1}{4}$
Discount market deps.	$5\frac{1}{4}$ - 3	$5\frac{1}{8}$ - 5	-	-	-	-

UK clearing bank base lending rate $5\frac{1}{2}$ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{3}{4}$	$4\frac{1}{4}$	4	$3\frac{1}{2}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $2\frac{1}{4}$pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.8849pc. ECGD fixed rate Stg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate $5\frac{1}{2}$pc from Jan 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 28	Jan 21		Jan 28	Jan 21
Bills on offer	£200m	£200m	Top accepted rate	4.8533%	4.9934%
Total of applications	£958m	£1030m	Ave. rate of discount	4.8533%	4.8849%
Total allocated	£200m	£200m	Average yield	4.9127%	4.9451%
Min. accepted bid	£98.790	£98.780	Offer at next tender	£200m	£200m
Allotment at min. level	99%	39%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 23 in today's edition.

■ Pound in New York

Jan 28	Close	Prev. close
£ spot	1.4965	1.5085
1 mth	1.4938	1.5058
3 mth	1.4883	1.5006
1 yr	1.4749	1.4865

FIXED INTEREST RATES

MONEY RATES

January 28	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$7\frac{1}{4}$	$6\frac{5}{8}$	$6\frac{5}{8}$	$6\frac{1}{2}$	$6\frac{3}{8}$	7.40	5.25	-
week ago	$7\frac{3}{8}$	$6\frac{5}{8}$	$7\frac{1}{8}$	7	$6\frac{1}{2}$	7.40	5.25	-
France	$6\frac{7}{8}$	$6\frac{1}{2}$	$6\frac{3}{8}$	$6\frac{1}{4}$	$5\frac{3}{4}$	6.20	-	7.75
week ago	$6\frac{1}{2}$	$6\frac{1}{2}$	$6\frac{3}{8}$	$6\frac{1}{4}$	$5\frac{3}{4}$	6.20	-	7.75
Germany	6.50	6.05	5.85	5.65	5.35	6.75	5.75	6.00
week ago	6.98	6.05	5.80	5.60	5.30	6.75	5.75	6.00
Ireland	6	6	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{3}{8}$	-	-	6.75
week ago	$6\frac{1}{4}$	6	$5\frac{7}{8}$	$5\frac{5}{8}$	$5\frac{3}{8}$	-	-	6.75
Italy	$9\frac{1}{4}$	$8\frac{3}{4}$	$8\frac{1}{2}$	$8\frac{1}{4}$	8	-	8.00	8.92
week ago	9	$8\frac{3}{4}$	$8\frac{3}{4}$	$8\frac{1}{2}$	8	-	8.00	8.92
Netherlands	5.56	5.49	5.26	5.03	4.87	-	5.25	-
week ago	5.56	5.49	5.22	5.01	4.81	-	5.25	-
Switzerland	$4\frac{1}{4}$	$4\frac{1}{4}$	$4\frac{1}{8}$	$3\frac{7}{8}$	$3\frac{5}{8}$	6.625	4.00	-
week ago	$4\frac{1}{4}$	$4\frac{1}{4}$	$4\frac{1}{8}$	$3\frac{7}{8}$	$3\frac{3}{4}$	6.625	4.00	-
US	3	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{2}$	-	3.00	-
week ago	$2\frac{3}{4}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{2}$	-	3.00	-
Japan	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{8}$	2	$1\frac{7}{8}$	-	1.75	-
week ago	$2\frac{3}{8}$	$2\frac{1}{4}$	$2\frac{1}{8}$	2	$1\frac{7}{8}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{11}{16}$	-	-	-
week ago	-	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{5}{8}$	-	-	-
US Dollar CDs	-	2.97	3.03	3.14	3.43	-	-	-
week ago	-	2.97	3.02	3.15	3.44	-	-	-
SDR Linked Ds	-	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	-	-	-
week ago	-	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{3}{16}$	$3\frac{3}{16}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$7\frac{1}{16}$ - $6\frac{15}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$	7 - $6\frac{7}{8}$	$6\frac{7}{8}$ - $6\frac{3}{4}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{5}{16}$ - $6\frac{3}{16}$
Danish Krone	6 - $5\frac{5}{8}$	$6\frac{5}{8}$ - $6\frac{1}{8}$	$6\frac{1}{2}$ - $6\frac{1}{8}$	$6\frac{3}{8}$ - $6\frac{1}{8}$	6 - $5\frac{3}{4}$	$5\frac{5}{8}$ - $5\frac{3}{8}$
D-Mark	$6\frac{1}{8}$ - 6	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{1}{8}$ - 6	$5\frac{7}{8}$ - $5\frac{3}{4}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
Dutch Guilder	$5\frac{11}{16}$ - $5\frac{7}{16}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$
French Franc	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{5}{16}$ - $6\frac{3}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	$5\frac{5}{8}$ - $5\frac{1}{2}$
Portuguese Esc.	11 - $10\frac{3}{4}$	$10\frac{7}{8}$ - $10\frac{5}{8}$	$10\frac{3}{4}$ - $10\frac{5}{8}$	$10\frac{1}{2}$ - 10	$10\frac{1}{2}$ - 10	$10\frac{1}{4}$ - $9\frac{7}{8}$
Spanish Peseta	9 - $8\frac{13}{16}$	$9\frac{1}{16}$ - $8\frac{7}{8}$	$9\frac{1}{16}$ - $8\frac{7}{8}$	$8\frac{13}{16}$ - $8\frac{5}{8}$	$8\frac{1}{4}$ - $8\frac{1}{16}$	$8\frac{1}{8}$ - $7\frac{15}{16}$
Sterling	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
Swiss Franc	$4\frac{1}{4}$ - 4	$4\frac{1}{4}$ - 4	$4\frac{3}{16}$ - $4\frac{1}{16}$	4 - $3\frac{7}{8}$	$3\frac{7}{8}$ - $3\frac{3}{4}$	$3\frac{11}{16}$ - $3\frac{9}{16}$
Can. Dollar	$3\frac{3}{4}$ - $3\frac{1}{2}$	$3\frac{13}{16}$ - $3\frac{9}{16}$	$3\frac{11}{16}$ - $3\frac{9}{16}$	$3\frac{11}{16}$ - $3\frac{9}{16}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{15}{16}$ - $3\frac{13}{16}$
US Dollar	$3\frac{1}{16}$ - $2\frac{15}{16}$	$3\frac{1}{8}$ - 3	$3\frac{1}{8}$ - 3	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{11}{16}$ - $3\frac{9}{16}$
Italian Lira	10 - 8	$8\frac{3}{4}$ - $8\frac{1}{4}$	$8\frac{1}{2}$ - 8	$8\frac{1}{2}$ - 8	$8\frac{1}{4}$ - $7\frac{7}{8}$	$8\frac{1}{8}$ - $7\frac{3}{4}$
Yen	$2\frac{3}{8}$ - $2\frac{5}{16}$	$2\frac{3}{8}$ - $2\frac{5}{16}$	$2\frac{11}{32}$ - $2\frac{7}{32}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$2\frac{7}{32}$ - $2\frac{3}{32}$	$2\frac{3}{16}$ - $2\frac{1}{8}$
Asian $Sing	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	4 - 3	4 - 3	$4\frac{1}{4}$ - $3\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.64	96.66	+0.01	96.69	96.62	44,963	425,251
Jun	96.36	96.39	+0.03	96.43	96.33	74,768	399,411
Sep	96.07	96.09	+0.03	96.14	96.03	61,162	282,822
Dec	95.70	95.72	+0.03	95.77	95.66	46,326	212,962

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.95	96.95	-	96.97	96.92	3,019	27,106
Jun	96.71	96.72	+0.02	96.75	96.68	705	9,032
Sep	96.43	96.44	+0.04	96.48	96.41	640	2,842

All Open Interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday January 26	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	4,728,001,950	+708,247,935
Bankers deposits	1,445,178,582	+3,236,618
Reserve and other accounts	3,623,105,858	-1,870,123,346
	9,810,839,390	-1,158,638,795
Assets		
Government securities	1,179,793,754	-177,514,999
Advance and other accounts	8,174,236,481	-982,647,633
Premise, equipment and other secs	447,818,961	+1,378,751
Notes	8,736,020	+159,547
Coin	254,174	-14,461
	9,810,839,390	-1,158,638,795
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,071,263,980	-120,159,547
Notes in Banking Department	8,736,020	+159,547
	17,080,000,000	-120,000,000
Assets		
Government debt	11,015,100	
Other Government securities	6,194,643,712	+908,394,332
Other Securities	10,874,341,188	-1,028,394,332
	17,080,000,000	-120,000,000

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 28 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JANUARY 27 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	180.00	7.9	177.49	124.16	161.64	169.21	3.5	3.04	179.56	178.37	124.19	162.82	168.33	180.00	120.50	121.34
Austria (17)	192.14	3.9	189.45	132.53	172.54	172.25	3.4	0.93	190.01	188.74	131.41	172.28	172.03	192.14	139.23	140.83
Belgium (42)	167.78	3.1	165.43	115.73	150.66	147.71	1.9	3.89	166.28	165.18	115.00	150.77	147.63	167.78	138.95	141.87
Canada (107)	140.48	3.5	138.52	96.90	126.15	134.72	3.5	2.49	140.90	139.96	97.45	127.76	133.80	145.31	113.54	114.05
Denmark (32)	269.85	9.2	266.07	186.13	242.31	246.50	7.9	0.92	268.22	266.44	185.51	243.21	247.05	269.85	195.66	209.95
Finland (22)	148.36	20.4	146.29	102.33	133.22	172.79	15.4	0.59	146.55	145.57	101.36	132.88	173.01	148.36	65.50	69.09
France (99)	182.61	3.8	180.05	125.95	163.97	168.40	3.3	2.76	178.91	177.72	123.74	162.22	166.15	182.61	142.90	147.23
Germany (59)	133.84	-4.6	131.97	92.32	120.19	120.19	-5.1	1.76	132.02	131.15	91.31	119.71	119.71	142.38	105.56	108.19
Hong Kong (56)	466.91	-4.6	460.39	322.06	419.28	463.04	-4.6	2.35	469.85	466.73	324.96	426.04	465.93	506.56	225.77	231.24
Ireland (14)	203.35	9.8	200.51	140.26	182.61	198.55	7.2	2.80	203.01	201.67	140.41	184.08	199.04	207.53	129.29	142.66
Italy (69)	72.95	8.4	71.93	50.32	65.51	92.15	5.1	1.78	71.07	70.60	49.15	64.44	90.29	78.93	55.21	59.28
Japan (469)	140.58	8.0	138.62	96.97	126.24	96.97	5.6	0.84	140.98	140.04	97.50	127.83	97.50	165.91	104.52	104.52
Malaysia (69)	490.05	-17.2	483.21	338.02	440.07	521.19	-15.1	1.40	487.30	484.07	337.03	441.86	517.05	621.63	258.19	258.19
Mexico (18)	2487.01	4.2	2452.24	1715.44	2233.26	8444.36	4.1	0.60	2454.86	2438.54	1697.84	2225.90	8340.58	2487.01	1410.30	1640.34
Netherland (26)	205.13	3.0	202.27	141.49	184.21	181.22	2.7	2.93	201.63	200.29	139.46	182.83	179.84	205.13	153.15	156.12
New Zealand (14)	73.25	7.9	72.22	50.52	65.77	68.51	6.3	3.41	72.22	71.74	49.95	65.48	67.44	73.25	41.66	41.84
Norway (23)	201.28	12.1	198.46	138.83	180.74	203.32	10.9	1.25	198.64	197.32	137.38	180.11	202.21	201.28	138.48	140.56
Singapore (45)	344.83	-6.2	339.82	237.71	309.48	252.91	-7.2	1.63	340.00	337.74	235.15	308.30	250.45	378.92	213.57	215.57
South Africa (60)	247.86	-7.2	244.39	170.96	222.57	240.40	-4.0	2.38	254.40	252.71	175.95	230.67	244.52	280.26	159.33	161.58
Spain (42)	153.81	10.4	151.66	106.09	138.12	163.16	8.1	3.67	151.06	150.06	104.48	136.98	161.19	153.81	116.33	127.71
Sweden (36)	224.65	14.4	221.51	154.96	201.73	263.41	8.7	1.32	221.94	220.47	153.50	201.25	261.58	224.65	149.69	152.45
Switzerland (49)	173.63	8.4	171.20	119.76	155.91	157.00	6.5	1.39	169.93	168.80	117.53	154.08	154.93	173.63	109.14	112.98
United Kingdom (215)	211.90	3.3	208.94	146.16	190.29	208.94	1.7	3.45	209.50	208.10	144.89	189.96	208.10	213.29	162.00	172.08
USA (518)	194.74	2.5	192.02	134.32	174.87	194.74	2.5	2.09	194.03	192.74	134.20	175.93	194.03	194.74	176.29	179.25
EUROPE (744)	175.89	4.4	173.43	121.32	157.95	168.92	5.7	2.69	173.27	172.12	119.84	157.11	167.69	175.89	134.16	137.98
Nordic (113)	215.56	13.7	212.54	148.68	193.58	221.19	9.7	1.12	213.23	211.82	147.48	193.35	220.39	215.56	142.13	145.48
Pacific Basin (722)	153.51	5.6	151.36	105.88	137.85	109.67	3.7	1.12	153.85	152.83	106.41	139.50	110.15	168.80	109.26	109.32
Euro-Pacific (1466)	162.67	4.9	160.39	112.20	146.07	132.37	4.7	1.82	161.77	160.70	111.89	146.69	132.25	162.87	119.43	120.92
North America (625)	191.37	2.7	188.69	132.00	171.84	190.60	2.7	2.68	190.72	189.46	131.91	172.94	189.88	191.37	172.67	175.23
Europe Ex. UK (529)	153.31	3.9	151.17	105.75	137.67	145.38	8.6	2.20	150.67	149.67	104.21	136.62	144.01	153.31	115.10	117.39
Pacific Ex. Japan (253)	277.02	-3.4	273.15	191.08	248.77	255.59	-4.3	2.37	276.89	275.05	191.51	251.07	255.25	296.21	155.37	156.30
World Ex. US (1651)	164.57	4.6	162.27	113.51	147.78	135.65	4.5	1.83	163.78	162.69	113.27	148.50	135.53	164.57	120.63	122.09
World Ex. UK (1954)	169.95	3.7	167.57	117.23	152.61	148.86	4.0	2.00	169.34	168.22	117.12	153.55	148.60	169.95	137.19	137.40
[illegible]	[illegible]															140.37
[illegible]	[illegible]															160.67
The World Index (2169)	[illegible]															140.42

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STOCK INDICES

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	89.5	73	$66\frac{3}{4}$	Baring Emrg Euro	$72\frac{1}{4}$	$-\frac{1}{2}$	-	-	-	-
-	F.P.	10.7	$49\frac{1}{2}$	$33\frac{1}{4}$	Do Warrants	$43\frac{1}{4}$	$-\frac{3}{4}$	-	-	-	-
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
-	F.P.	33.9	113	$101\frac{1}{2}$	Finsbury Under'wrt	113		-	-	-	-
100	F.P.	47.4	119	100	For & Col Small C	$118\frac{1}{2}$		-	-	-	-
60	P.P.	18.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	37.8	128	121	Do. Units	126		-	-	-	-
60	P.P.	18.6	63	61	Do. Zero Div Pf	62	$-\frac{1}{2}$	-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
§40	F.P.	7.23	46	44	Rackwood	45		-	-	-	-
§10	F.P.	2.13	$11\frac{1}{2}$	$10\frac{1}{4}$	Rossmont	$11\frac{1}{2}$		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	$94\frac{1}{2}$	
[illegible]							

RIGHTS OFFERS

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BASE LENDING RATES

Adam & Company 5.5, Allied Trust Bank 5.5, AIB Bank 5.5, Henry Ansbacher 5.5, Bank of Baroda 5.5, Banco Bilbao Vizcaya 5.5, Bank of Cyprus 5.5, Bank of Ireland 5.5, Bank of India 5.5, Bank of Scotland 5.5, Barclays Bank 5.5, Brit Bk of Mid East 5.5, Brown Shipley 5.5, CL Bank Nederland 5.5, Citibank NA 5.5, City Merchants Bank 5.5, Clydesdale Bank 5.5, The Co-operative Bank 5.5, Coutts & Co 5.5, Credit Lyonnais 5.5, Cyprus Popular Bank 5.5, Duncan Lawrie 5.5, Exeter Bank Limited 5.5, Financial & Gen Bank 6, Robert Fleming & Co 5.5, Girobank 5.5, Guinness Mahon 5.5, Habib Bank AG Zurich 5.5, Hambros Bank 5.5, Heritable & Gen Inv Bk 5.5, Hill Samuel 5.5, C. Hoare & Co 5.5, Hongkong & Shanghai 5.5, Julian Hodge Bank 5.5, Leopold Joseph & Sons 5.5, Lloyds Bank 5.5, Meghraj Bank Ltd 5.5, Midland Bank 5.5, Mount Banking 5.5, NatWestminster 5.5, Rea Brothers 5.5, Royal Bk of Scotland 5.5, Smith & Williamson Secs 5.5, Standard Chartered 5.5, TSB 5.5, United Bk of Kuwait 5.5, Unity Trust Bank Plc 5.5, Western Trust 5.5, Whiteaway Laidlaw 5.5, Wimbledon & Sth West 5.5, Yorkshire Bank 5.5

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£34⅞	1.2	Q58%	1.8	Sep May	1.9	1567
ANZ A$		259¼	4.8	Q20c	φ	Jan Jul	9.12	1698
Abbey National	†□	466	-2.0	11.85	2.3	May Oct	16.8	5431
Allied Irish I£	♣†a□	296	-2.6	Q44%	2.1	Oct May	16.8	1354
Anglo Irish I£	M□	68xa	-1.4	Q17.5%	φ	Jan Jul	29.11	1355
Asahi Y		695	0.9	Q14%	1.3	Jun Dec	12'92	3049
Banco Bil Viz Ptz		£18⅞	5.9	Q22.2%	2.7	JyOcJaAp	13.7	–
Banco Sant Pta		£32⅛	7.3	Q34.7%	2.0	ApJyOcJa	30.10	–
Bank Leumi (UK)		375	—	17.0	–	Apr Sep	2.8	1740
Bk Ireland I£	♣x□	305	-2.6	Q13¼%	1.6	Jul Dec	15.11	1360
Bank Scotland	♣†□	241	1.3	4.67	1.6	Dec Jul	18.10	1742
9¾pc Pf		140¾	0.4	9¾%	–	May Nov	18.10	1482
9⅞pc Pf		147¾	0.3	9⅞%	–	May Nov	18.10	–
Barclays	♣N□	627	1.0	12.5	–	Oct May	16.8	1754
Dai Ichi Kan Y		£11⅝	-1.3	Q18%	3.2	Jun Dec	27.3	3221
Deutsche DM		£319½	2.7	Q30%	–	May	24.5	2345
Espirito Santo		£24⅝	-.9	Q120c	5.2	Jun	4.6	5187
First Nat Fin	□	90xd	7.1	1.5	φ	Mar	17.1	2571
6.3pc Cv Pf		88xd	—	6.3%	–	Jul Jan	4.1	2570
7pc Cv Pf		166½xd	0.3	7.0	–	Jul Jan	4.1	–
Fuji Bank Y		1289	0.8	Q17%	2.3	Dec Jun	4.7	1084
HSBC HK	†□	976	-2.4	20.0	2.0	Nov Jun	20.9	2798
HSBC (75p Shs)	†□	980	-3.0	20.0	2.0	Nov Jun	30.9	2776
Lloyds	†□	640	-1.2	19.1	1.9	Oct May	2.8	3171
Mitsubishi Y		£17½	0.4	Q17%	2.3	Jun Dec	12'92	6290
Mits Tst & Bk Y		811½	-.4	Q16%	12.4	Jun Dec	12'92	4776
Mitsui Tst & Bk Y		658¾	-.1	Q17%	5.5	Jun Dec	12'92	6389
Nat Aust A$		597	2.7	Q50c	φ	Jul Jan	9.6	3458
NatWest	†□	593	-2.0	17.8	1.0	Oct May	16.8	3463
Ottomane FFr		£32¾	5.6	Q150%	2.3	May	12.5	1621
Ryl Bk Scotland	♣N□	484xd	3.9	11.0	1.9	Feb Jul	13.12	3874
Sakura Y		89¼	-.2	Q17%	3.0	Dec Jun	12'92	3831
Sanwa Y		£13¼	-.5	Q17%	2.7	Jun Dec	12'92	5108
Standard Chartd	†□	1337	-1.7	20.5	0.1	Jan Oct	16.8	4094
7 3/8pc Prf		105¼	—	7.37	–	–	–	1719
Sumitomo Y		£12⅞	-.6	Q17%	8.7	Jun Dec	12'92	3079
Sumitomo Tst Y		780¼	1.8	Q17%	2.3	Jun Dec	12'92	4918
TSB	qN□	278½	-4.0	7.68	1.6	Apr Oct	16.8	4320
Tokai Y		£7⅞	4.7	Q18%	2.8	Jun Dec	12'92	5359
Toyo Tst & Bk Y		643	-.6	Q15½%	2.3	Jun Dec	30.6	1393
Westpac A$		247	10.3	Q12c	φ	Jan Jul	21.12	4473
Yasuda Tst Bk Y	†	480	-.7	Q15½%	2.3	Jun Dec	12'92	6347

BREWERIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Ascot Hldgs	□	9¼	-2.6	–	–	–	–	2515
Bass	qN□	584xd	-5.4	19.8	1.9	Feb Jul	13.12	1772
Boddington	†□	278	2.2	7.58	2.2	Apr Oct	20.9	1862
Burtonwood		173xd	-7.0	4.78	2.6	Feb Aug	15.11	2022
Eldridge Pope A	♣N	164xd	-4.1	3.55	1.3	Feb Jul	4.1	2436
Fosters A$		62¼	-3.3	Q6c	φ	May Oct	22.9	2434
Fuller STA	♣†	489	0.2	7.52	3.1	Aug Jan	4.1	2643
Gibbs Mew	♣†	388	-1.3	8.25	2.5	Oct Apr	2.8	2693
Greenalls	♣qN□	486xd	-4.1	12.38	2.0	Jul Feb	4.1	2768
Greene King	†N□	563xd	-1.1	12.45	2.8	Aug Feb	4.1	2769
Grosvenor Inns	♣♣	141	-.7	4.25	1.7	Feb Sep	2.8	–
Halkin		68	-2.9	–	–	–	–	3410
Holt (J)	†	3150	—	42.0	3.7	Jun Oct	4.10	2912
For Hoskins Brewery see Hablex								
Kirin Y		754¼	5.2	Q20%	4.2	Mar Sep	–	1119
Mansfield	†N	231	-2.1	4.0	3.6	Jan Aug	13.12	3282
Marston Thomp	†N□	300	2.4	5.55	3.2	Jan Aug	29.11	3301
Morland	N	543xd	—	9.74	3.0	Jul Feb	29.11	3419
Paramount	♣♣N□	10½xd	2.4	0.15	3.7	Jan	18.10	2060
Regent Inns	♣N	231	1.8	4.5	1.9	May Nov	18.10	2150
Scott & New	†N□	675	-1.0	17.06	1.8	Feb Sep	4.1	3944
United Breweries	♣□	8½	—	–	–	–	–	3677
Vaux	♣N□	296xd	2.4	9.5	1.5	Feb Jul	4.1	4392
Wetherspoon (J.D.)	N□	385	4.3	5.4	2.2	May Dec	1.11	1018
Whitbread	†N□	592	-2.5	18.0	2.3	Jan Jul	29.11	4488
Wolv & Dudley	□	529	-4.9	12.6	φ	Jan Jun	13.12	4530
Young A	†	523	-.4	14.75	1.7	Dec Jul	23.11	4563
N/V	†	458	-.4	14.75	1.7	Dec Jul	23.11	4564

BUILDING & CONSTRUCTION

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Abbey I£		190xd	—	Q19½%	3.2	Feb	17.1	1353
Alfco	♣N	178	4.7	5.0	0.9	Jan Jul	13.12	4846
AMEC	□	141	9.3	3.0	1.7	Dec Jul	18.10	1589
6½p Cv Pf		117	3.5	6½%	–	May Nov	20.9	5087
Amco Corp	♥	51	-4.6	–	–	–	–	–
Andrews Sykes	N□	90	5.9	3.0	–	Feb Oct	2.8	1935
Anglia Sec	□	14½	38.1	–	–	–	1'90	1610
Arcadian Intl		48	2.1	–	–	–	23.11	4472
Ashtead	c□	388	0.5	4.54	2.0	Apr Oct	16.8	1696
Avonside	♣†□	180	10.4	4.1	1.8	May Nov	20.9	1270
Bailey (B)	†	37	—	0.6	–	Dec May	19.10	1726
Ball (AH)	‡	41xd	—	2.0	1.0	Feb Aug	4.1	4790
Banner Homes	♣N□	162	—	–	–	–	10'39	1748
Barcom	♣□	72xd	—	3.0	φ	Feb Jul	4.1	1467
Barls	♣♣N	42	—	–	–	–	10'91	1980
Barratt Devs	N□	268	-.7	4.0	2.1	Nov May	4.10	1766
Bellway	b□	287	0.4	6.0	φ	Jan Jul	29.11	1799
Beltwinch	♣N	55	1.9	–	–	–	–	1800
Berkeley	†N□	533xd	-2.2	6.25	3.0	Feb Aug	4.1	1813
Bett Bros	N	150	18.1	2.0	3.9	Jul Jan	29.11	1822
Birse	N□	38	1.3	–	–	–	2'92	5293
Boot (H)	†	342	-2.6	6.0	3.0	Nov May	1.11	1874
Brandon Hire	♣♣	52	8.3	–	–	–	3'92	5294
Britannia		45	-4.3	–	–	–	–	1962
BB & EA		235	—	8.0	φ	May Dec	1.11	1900
Bryant	♣N□	179	-5.5	4.8	1.0	Dec Apr	4.10	1982
CALA	♣N	145	—	2.3	0.7	Oct May	20.9	2034
CRP Leisure	♣	7	—	–	–	–	–	1402
Campbell & Arm		45	15.4	–	–	–	6'92	2049
Clarke (T)		82	—	4.07	2.5	May Oct	6.9	2155
Costain	□	38½	5.5	–	–	–	–	2246
Countryside	G□	173	—	4.11	φ	Sep Apr	19.7	2248
Crest Nichol	♣g□	99	-6.6	1.0	φ	Apr	1.2	2276
5½pc Cv Pf		95	-1.0	5½%	–	Apr Oct	16.8	2275
Cussins	7	125	—	1.0	–	Oct	10'90	2295
Donelon Tyson	□	25	—	1.2	3.5	Aug	7.6	4844
Dunton	♣□	4¼	6.2	–	–	–	2'90	2388
EBC	♣	94	-2.1	4.0	2.1	May Oct	20.9	2411
Edmond	‡□	25	-2.0	8.3	–	Dec Jul	4.10	2427
Eve	♣†N	470	3.4	10.3	2.6	Mar Sep	2.8	2508
Fairbriar		9	—	–	–	–	–	2532
Galliford	♣N□	47	-2.1	1.0	6.3	Apr Nov	18.10	2853
Gleeson (M.J)	♣N	1000	—	12.75	4.5	Jan Jun	29.11	2703
Gopeng MS	♦	450	—	Q6c	φ	Jul	21.6	2726
Green (E)	♣N	83	—	7.0	0.9	Dec May	1.11	2784
Guardian	♣□	94	—	–	–	–	2'85	1677
Havelock Europa		188	-.6	–	–	–	11'93	2848
Hewden-Stuart	†N□	166	1.8	2.72	1.7	Dec Jul	18.10	2878
Higgs & Hill	♣□	144	-.7	2.5	0.2	Dec Jun	1.11	2886
Howard		28	—	0.5	–	Oct	16.8	2930
Jackson		58	30.2	1.6	–	Jul Nov	1.11	5107
Jarvis		23	24.3	–	–	Jul	5'92	3030
Kajima Y		548½	-1.0	Q26%	3.0	Jun Dec	12'92	–
Laing (J)	♣	365	0.3	9.0	2.8	Nov Jun	20.9	3122
A N/V	‡	365	0.6	9.0	2.8	Nov Jun	20.9	3121
6.4pc Cv Pf		141½	-2.1	6.4%	–	May Nov	20.9	–
Lon & Clydes		140	-2.8	4.8	φ	Jul Feb	21.6	3196
Lovell (Y.J)	□	15¼	3.4	–	–	–	6'91	3224
Maunders (J)	N	253	1.2	5.15	2.0	Apr Nov	18.10	3307
McAlpine (A)	□	278	-3.5	6.5	0.9	Apr Oct	6.9	3316
McCarthy & St	‡□	77½	1.3	0.6	–	–	11.5	3318
Melville	□	7	-3.4	–	–	–	10'91	5309
Mowlem (J)	□	169	-2.3	4.0	–	Dec Jul	4.10	3431
Persimmon	♣□	342	-4.5	8.6	1.1	Apr Oct	20.9	3641
Pochins		£17½	—	29.0	2.4	Apr Dec	23.3	3683
Prowting		183	-5.2	3.4	–	Apr Dec	15.11	5067
Raine	N□	98	-2.0	3.0	1.4	Nov Apr	18.10	3780
Severfield-Rwe	♣Z	98	—	0.25	–	Oct	20.9	5126
Sheriff	♣♣N	260xd	—	3.75	2.6	Aug Feb	4.1	1771
Sherco	♣♣	107	0.9	5.2	0.8	Oct Jun	6.9	4812
Sindall (Wm)		78	—	0.1	–	Sep	16.8	4027

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Titon	♣	220xd	0.5	4.2	φ	Jul Feb	17.1	4801
Travis Perkins	□	342	-3.4	8.0	0.8	Nov Jul	4.10	3813
Tudor	♣	21	—	0.25	–	Jul	19.4	4325
Unigroup	□	38	-2.7	–	–	–	13.8	4348
Waterhouse	♣	38	9.1	–	–	–	7'92	1697
Wickes	g□	128	5.9	0.2	–	Jan	15.11	4498
Wilshaw	†N□	43½xd	-2.2	0.55	3.2	Oct Jan	15.11	4515
Wolseley	♣N□	803xd	-.7	13.3	2.3	Apr Jan	13.12	4828

CHEMICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
AGA SKr		235	2.3	Q38%	2.4	Jun	28.5	1528
Akzo Fl		271⅞	1.5	Q32½%	2.2	Nov May	1.5	1642
Allied Colloids	†N□	257xd	2.4	4.36	2.5	Aug Feb	17.1	1581
Amber Ind	†N	745	—	19.0	2.2	Jan Aug	29.11	1584
BASF DM		£114⅞	6.8	Q11½%	–	Apr	6.5	1770
BOC	♣N□	697xd	—	23.2	1.7	Feb Aug	29.11	1860
BTP	♣†N□	343xd	-7.3	9.8	1.2	Feb Aug	13.12	1898
Bayer DM		£142⅞	7.4	Q26%	–	Apr	20.6	1778
Brent	N□	121	-2.4	7.4	1.4	May Nov	4.10	1943
British Vita	†□	278	-5.2	7.3	2.0	May Nov	20.9	1927
Cambridge Iso S	♣	22	—	–	–	–	11'91	2043
Canning (W)	♣□	183	—	7.29	1.2	Dec Jul	4.10	2053
Cementone	♣N	93	—	2.7	0.8	Oct Apr	6.9	3435
Warrants		31	—	–	–	–	–	–
Courtaulds	†N□	508	-2.7	14.2	2.4	Jan Aug	29.11	2250
Croda	†N□	372	1.6	7.95	2.1	Dec Jul	20.9	2278
Doeflex	♣	127	2.4	4.6	2.5	May Nov	18.10	2359
European Colour	♣†□	36½	—	0.88	2.4	Jul Jan	15.11	2244
Gibbon Lyons	♣†	147xd	3.5	5.2	1.8	Feb Oct	13.12	2880
Hartoes	□	4	—	–	–	–	9'90	2843
7pc Pf		23	—	7%	–	Jan Jul	11.5	2844
Headway	♣N	40	5.3	0.7	0.3	Nov	20.9	1786
Hickson	♣N□	192	4.9	8.0	1.3	Jun Nov	20.9	2885
Hoechst DM		£121	8.3	Q26%	–	Apr	29.4	2903
Holliday Chemical	W□	187	-.5	2.7	2.9	Oct Mar	6.9	2019
ICI	WN□	791	1.9	27.5	–	Oct Apr	16.8	2987
Kalon	♣†N□	171½	2.1	3.5	2.1	Oct Apr	6.9	3072
Laporte	♣†□	821	-.1	19.9	1.7	May Nov	20.9	3135
MTM	□	57	—	–	–	–	9'91	3250
Manders	†	394	-2.2	9.3	1.8	Nov May	20.9	3273
McLeod Russel	N□	119	-1.7	8.1	1.1	Jan Jul	29.11	3323
Metrotect Inds	W□	122xd	-4.7	3.24	2.2	Feb Aug	13.12	2500
Perstorp SKr		£29⅛	6.9	Q48%	φ	Feb	31.1	–
Plasmec	♣	70	—	3.0	3.2	Jul Nov	20.9	3672
Porvair	♣†	285	2.5	3.8	2.5	Apr Oct	20.9	4981
Wardle Storeys	N□	459	0.9	17.25	1.3	Jul Jan	15.11	4431
Wolstenholme	♣	606	2.0	17.8	1.7	Jun Nov	4.10	4529
Yorkshire	♣tg□	463	2.2	7.75	2.2	Apr Oct	16.8	4561
Yule Catto	tg□	308	0.7	6.0	2.6	Jul Nov	4.10	4567

DISTRIBUTORS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABI Leis	♣□	123xd	4.2	3.78	φ	Jul Jan	13.12	4405
Acal	♣†N	263xd	—	6.45	2.0	Feb Aug	13.12	5089
Adam & Harvey	♣†	363	1.4	13.0	3.9	Jan Sep	15.11	1043
African Lakes		44	—	2.0	–	Jan	19.4	1526
Alexanders		27	—	0.5	φ	Apr	1'92	1562
Appleyard	g□	169	-2.9	5.2	0.1	Nov May	4.10	1629
Ass Br Eng	N□	4¼	46.2	0.08	1.5	Oct	16.8	1673
BSS	♣N	583	-2.6	17.25	1.0	Jan Jul	13.12	1995
Bearing Power	♣□	25½	13.3	0.75	φ	Mar	4.1	3391
Benalf & F'tain	□	4	—	–	–	–	–	1804
Bletchley	♣†N	360	2.9	9.15	2.2	Oct Jan	20.9	1427
Bogod A		35xd	—	0.7	3.8	Feb Oct	4.1	1866
Boustead	‡□	23	—	0.7	–	Jan Jul	29.11	1883
Brammer	□	317	-.3	13.0	1.0	Jul Nov	20.9	1938
Bridgend	♣†□	26	-3.7	0.4	–	Jan Aug	1.11	1948
Brit Fittings	†	79	—	1.75	–	Jan Nov	4.10	1910
Brown & Tawse	♣N□	63	-10.0	–	–	–	6'92	1979
Bunzlene	♣N□	53xd	3.9	1.75	2.1	Sep Feb	4.1	3015
Caffyns	♣	425	0.5	11.6	1.5	Jan Jul	13.12	2031
Cassket	†N□	55½xd	-.9	0.9	3.2	Oct Feb	13.12	2077
Central Motor	♣	126	-.8	4.0	φ	Oct Apr	16.8	4930
Charles Sidney	LN	122	-6.9	3.5	2.2	Jul Feb	–	3357
Cock (DC)	♣†□	37	-5.1	0.9	2.6	Oct Jan	13.12	2231
Cowie (T)	†□	337	2.1	6.8	2.1	Oct May	16.8	2260
Culver	†□	10¼	-2.3	0.21	2.8	Oct Apr	4.10	2321
Dagenham	♣	163	3.2	5.75	1.0	Nov May	4.10	4954
Davenport Vernon	♣	157	0.6	4.2	φ	Apr Aug	10.5	2312
Dewhurst	♣♣N	548	0.9	8.4	4.8	Feb Aug	5.7	2337
Diploma	N□	595	-.8	12.0	2.1	Jul Jan	29.11	2354
Dixon Motors	♣N	206	-1.9	3.35	–	Nov	4.10	2232
Electrocomps	♣†N□	564	-2.6	8.4	3.1	Jan Sep	15.11	2439
Electron House	♣†N□	158	-8.1	2.75	2.5	Apr Oct	20.9	2441
Ellis & Everard	†N□	275xd	2.2	7.25	1.6	Mar Oct	17.1	2451
Enterprise Comp		32½	-9.7	–	–	–	5'92	4159
European Motor	†N□	166	3.1	3.72	1.8	Jan Oct	29.11	3022
Evans Halshaw	†	482	0.6	11.45	0.7	Oct May	6.9	2508
Faber Prest		470	6.8	14.0	φ	Jan Jul	13.12	3657
Farnell	†N□	627	-1.3	8.6	3.0	Jul Dec	1.11	2542
Fife Indmar	H	63	—	2.75	–	Oct	6.9	2560
Gardiner	♣□	28¼	-4.2	0.42	2.2	Oct May	6.9	4997
Gencheveton		38	—	–	–	–	1'90	2258
Gowrings		78	4.1	2.0	0.1	Jun Nov	20.9	4847
Headlam	♣†qN	212	—	3.0	1.5	Jun Nov	20.9	2860
Hedys	♣†	331	1.5	3.5	–	Oct Apr	6.9	3675
Heritage	♣	109	0.9	–	–	–	1'90	5134
Hobson	♣□	23½	34.3	–	–	–	–	2809
Holders Tech	♣	187	7.5	6.0	1.3	Sep May	16.8	4306
ISA Intl	♣†	131	0.8	1.57	4.2	Nov May	1.11	3003
Inchcape	♣†N□	596	-.5	14.15	2.0	Jan Jul	18.10	2374
Intl Food Machinery	♣□	13	-31.6	1.4	–	Nov	20.9	1251
Jacks (Wm)		43	—	–	–	–	4'90	3014
Jessops		105	—	4.5	–	Jan Jul	29.11	3037
For John Lusty see (SECTION) FOOD MANUFACTURERS								
Kwik-Fit	†N	179½	-.3	3.5	2.0	Nov Apr	20.9	3113
Lex Service	♣†N□	529	4.3	11.3	1.7	Sep May	16.8	3160
Lookers		240	0.8	8.5	φ	Sep Apr	16.8	3218
Lookers 8pc Cv Pf		135	—	8.0	–	Mar Sep	16.8	1842
Maaya	♣♣	29	-1.7	–	–	–	4'90	3437
Middlesex	♣N	4¼	-9.5	–	–	–	6'91	2165
Nortam	♣N	291	-1.0	1.5	7.5	Oct	20.9	3505
Northamber		54	-6.9	0.8	–	Oct	6.9	3615
PCT	♣	185	—	7.25	1.2	Jul Nov	20.9	3614
Pendragon	tg□	298	0.3	6.4	1.8	Oct May	20.9	1614
Perry Grp	♣N	224	4.2	7.0	–	Dec Jul	10.5	3640
Polar	♣	229xd	0.9	4.85	φ	Aug Feb	4.1	5023
Quicks Grp	†N	178	—	4.75	1.7	Nov Jun	6.9	3748
REA	‡	109	2.8	2.0	0.4	Oct	24.5	3749
Reece	□	4¼	-9.5	–	–	–	9'91	2083
Ross Grp	□	21	—	0.85	3.5	Dec Jul	1.11	4496
SEP Ind		37xd	-2.8	0.8	φ	Apr Oct	13.12	3896
Pfd		39xd	-2.5	2.55	2.2	Mar Sep	13.12	4947
Sanderson Bramall	tgN	198	-2.9	2.06	3.1	May Nov	20.9	3915

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£13½	.....	Q350c	1.7	Oct Apr	22.3	–
Barlow Rand		84¼	4.5	Q173c	1.7	Jan Jul	13.12	1780
Gold Fields SA R		£14½	–0.7	Q200c	1.5	Mar Sep	28.1	2717
NK Props	s	90	.....	087.1c	Φ	Mar Oct	19.10	–
SASOL	♥	289	–1.0	078c	–	Oct	23.8	3819
SA Brews		£12¾	–1.1	Q138c	2.2	Dec Jun	13.12	4113
Tiger Oats		700	–1.8	082c	2.9	Jan Feb	23.11	5222
Tongaat–Hulett	†	602xd	15.7	075c	2.4	Feb Aug	4.1	5221

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- [symbol] Free annual/interim report available, see details below.
- [symbol] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xδ ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Standard Chrtd 7⅛pc Pf (Banks), Andeman Res (Extractive Inds), Murray Entr Wrts, NM Smllr Aust Wrts, Pilot Inv C (Inv Trusts), and Securitised Endwt Cntracts (Other Fincl). Deletion: Trident Petrlm (Oil Explm & Prod).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with [symbol]. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4614. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close January 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	11½	AAR	0.48	3.0	27	155	u16½	15⅞	16½	+⅛
29⅜	12¾	A L Labs A	0.18	1.2	55	90	15¼	15	15½	+¼
67¼	54⅝	AMP	1.60	2.5	22	2144	63¼	62⅞	62⅞	+¼
72¾	55½	AMR			34	1676	70⅞	70	70¾	+1
4½	1¾	ARX			17	615	4⅞	4¼	4⅜	
58⅛	28⅞	ASA	2.00	4.0	35	1698	51⅛	50⅜	50½	-⅞
30¾	22⅝	AbbtL	0.68	2.3	17	7891	29½	29	29¼	+¼
13	8¼	Abitibi Pr	0.50	4.0	7	170	12⅞	12⅛	12⅞	+⅛
15⅝	8¼	Acplncain			25	15	13⅝	13⅜	13⅝	+¼
36	26½	ACE Ltd	0.40	1.4	6	4115	29⅝	28¾	29½	+⅞
12⅝	10¾	ACM Gvt In	1.06	8.5		443	12½	12¼	12⅜	
10⅛	9⅛	ACM GvOpp	0.80	7.9		115	u10⅛	10	10⅛	+⅛
10⅝	8¾	ACM Gvt Sp	0.96	9.2		319	10⅜	10¼	10⅜	
12¼	10½	ACM Gvt Se	1.04	8.7		466	11⅞	11¾	11⅞	+⅛
12¼	9⅝	ACM Man	1.08	9.3		623	11¾	11½	11⅝	+⅛
9⅜	8⅝	ACM Managd	0.72	7.9		566	9⅛	9	9⅛	
12⅞	7¾	AcmeClv	0.44	4.2	12	202	10⅜	10¼	10⅜	+⅛
11⅞	6⅞	Acme Elect			35	45	8	7⅞	7⅞	
27⅝	18⅞	Acorda	0.44	1.8	13	43	24¼	24¼	24¼	-¼
16	10⅝	Acuson			55	721	12½	11¾	12¼	-⅛
21¾	17⅝	Adams Expr	0.52	2.8	0	187	18¾	18¼	18¼	
66¼	45½	Ad Micro	3.00	5.9		70	51½	50¾	51	
32¾	18¾	AdvMic	3.00	14.7	8	2991	20⅝	20⅜	20⅜	-⅛
8⅛	5½	Advest Grp	0.16	2.3	10	296	6⅞	6⅝	6⅞	+¼
24¾	14¼	Advo Inc	0.08	0.4	123	444	18⅝	18⅜	19½	+¼
58½	41⅛	Aegon ADR	1.20	2.2	12	88	55½	54⅞	55	+1
66¼	43⅞	AetnaL	2.76	4.6	25	2558	59⅞	57⅞	59¾	+1⅝
34	24¾	Affiliated Computer	0.40	1.5	12	2334	27¾	27	27⅜	

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 28

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 28

AMEX COMPOSITE PRICES

4 pm close January 28

FT GUIDE TO THE WEEK

31 MONDAY

Hurd in talks on Bosnia

The fast-fading prospects for a Bosnian peace settlement will be the main item on the agenda of talks which Douglas Hurd, the British foreign secretary, will have in the US this week. After seeing Boutros Boutros Ghali, the UN Secretary-General, in New York today, Hurd will meet Warren Christopher, the US Secretary of State, in Washington on Tuesday. The talks will focus on the possible withdrawal of UN peacekeeping forces from Bosnia if no peace settlement is reached by the late spring, and the proposal to launch air strikes against the Bosnian Serbs if they refuse to relax their stranglehold on Sarajevo or prevent the relief of Srebrenica and Tuzla in Bosnia.

Kohl in Washington

Chancellor Helmut Kohl will meet President Clinton in Washington, underlining Germany's growing role as the most important US partner in Europe. He will also be the first European politician to address the conference of state governors.

Alan Greenspan, US Federal Reserve chairman, gives his view on the 1994 economic outlook to Congress's joint economic committee at the start of a week in which several key economic figures will be released.

IG Metall, Germany's biggest union, covering 2.5m engineering and steel workers, will start industrial action following the breakdown of pay talks. The union wants up to 6 per cent wage rises, while employers have demanded pay freezes and benefit cuts.

Poll boycott looms: The Zulu Inkatha Freedom party and the white right Afrikaner People's Front will make a decision on whether to boycott South Africa's April elections after talks today with the government and the main opposition party, the ANC.

ILO agenda: Michel Hansenne, director-general of the International Labour Organisation, which celebrates its 75th anniversary this year, sets out its agenda for "social justice in a global economy" in Geneva. This will be debated at the ILO's annual conference in June. The organisation, created in 1919 to counter the appeal of the emerging Soviet Union by improving labour rights, is still struggling for a distinctive and respected voice in the post Cold War world.

1 TUESDAY

EU airline report

The European Commission unveils its long-awaited report on the future of the European airline industry. Abel Matutes, Spanish Commissioner for transport, and Herman De Croo, the Flemish liberal senator who chaired the "committee of wise men", will present the report, which is expected to deal with the prospects for liberalisation and the industry's financial crisis.

Banesto trading resumes: Trading in the troubled banking group resumes on the Madrid Bolsa five weeks after the Bank of Spain intervened to replace the management and its shares were suspended. The share price, which stood at Pta 1,995 when trading was halted on December 28, will be allowed to fall freely. In the off-the-floor "grey" market, shares were last week priced at between Pta 500 and Pta 700.

Schengen deadline passes: Today passport checks at land borders between member states and on flights within the European Union should have been abolished. But the operation of the Schengen convention, which ends border controls in nine of the twelve EU countries, has been postponed yet again. Britain, Ireland and Denmark are the only EU states to have stayed out of the convention because of concerns over national security and illegal immigration.

UN human rights moves: The UN Secretary General Boutros Boutros Ghali is due to announce the appointment of Jose Ayala Lasso, Ecuador's UN ambassador, as the first UN High Commissioner for Human Rights, for a four-year term.

Yasser Arafat, PLO president, and Benazir Bhutto, Pakistan's prime minister, will address the UN Human Rights Commission in Geneva, which began its 50th session on Monday in Geneva. For the next six weeks the 53-member commission, which includes such staunch defenders of human rights as China, Indonesia, Iran, Sudan and Syria, will be plied with evidence of human injustice around the world.

China talks to Taiwan
Representatives of China and Taiwan will resume their slow-moving talks in an effort to expand areas of agreement on such issues as fishing, hijackings and commercial links. The talks are scheduled to last until 5 February.

Post Office inquiry: The all-party trade and industry select committee of the House of Commons launches its inquiry into the future of the Post Office. Mr Michael Heseltine, trade and industry secretary, and Mr Mike Heron and Mr Bill Cockburn, chairman and chief executive respectively of the Post Office, will give evidence. The Committee members are understood to be concerned that the corporation's investment plans and profitability are threatened by uncertainty created by the government's review of the Post Office.

2 WEDNESDAY

Verdict on Volkswagen

Frankfurt state court is due to decide if Volkswagen poached General Motors and Adam Opel managers "unfairly" last March. A ruling in favour of Opel could mean suspension for a year for seven key VW purchasing and production personnel. It may also increase pressure for the company to review the position of José Ignacio López de Arriortúa, their leader, and VW's production director, who remains under criminal investigation in Germany and the US.

Caldera assumes office

Rafael Caldera is scheduled to begin his five-year term as president of Venezuela. Caldera, who founded Venezuela's Christian Democrat party but ran as an independent, won the presidency with 30 per cent of votes in national elections last December.

Caldera assumes office in the midst of recession and a financial crisis caused by the failure of Banco Latino, the second largest bank. The government faces reduced income, a taxpayer revolt and a large fiscal deficit.

Euro Disney's banks will meet in Paris to assess the conclusions of the special investigative audit of the troubled leisure group's finances that they commissioned from KPMG Peat Marwick, the accountancy firm.

Treasury report: Kenneth Clarke, the chancellor, and Eddie George, the governor of the Bank of England, meet for their monthly monetary talks today. The quicker availability of statistics has meant that these meetings have been brought forward in the month.

National Party conference: The ruling South African party will publish its manifesto and unveil its list of candidates ahead of April's first democratic elections.

Commonwealth Games: In London the Commonwealth Games Council will receive submissions from London, Manchester and Sheffield to host the games in 2002, the year of the Queen's Golden Jubilee.

Maltese prime minister Eddie Fenech-Adami will be in Brussels to have talks on the possibility of his island joining the EU.

Angola talks: ANC leader Nelson Mandela and Mozambique President Joaquim Chissano will hold talks with Angolan President Jose Eduardo dos Santos in Luanda. They will focus on ways to prevent elections this year in Mozambique and South Africa degenerating into mass violence or civil war, as Angola's poll last year has.

3 THURSDAY

Bundesbank council meets

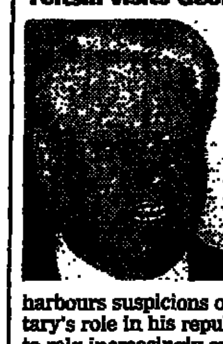
The German central bank will hold a council meeting to review its interest rates policy. Last week's inflation figures of 3.4 per cent for the month to mid January compared with 3.7 per cent in December were proclaimed "good news" by Bundesbank directors. Bank chiefs expect December's figures will show a rise in the rate of money supply growth, but January's figures, published next month, to show a fall.

German privatisations: The long-awaited reform of German post and telecommunications, paving the way for the privatisation of Deutsche Telekom, Postbank and postal services, is scheduled to come to the Bundestag for a first reading. It has taken months of negotiations between the government and opposition in order to create the two-thirds majority needed to change the German constitution.

Indian PM's visit: P V Narasimha Rao, the Indian prime minister, is in Germany for an official visit which lasts until 5 February, during which he will meet a range of top-level German industrialists as well as politicians, and seek to promote more two-way trade and investment.

Meanwhile, in New Delhi from Wednesday to Friday, 15 major developing countries will reaffirm their commitment to ensuring basic health standards for all their citizens. The global Task Force for Child Survival and Development, sponsored by the World Bank, UNDP, UNICEF, WHO and the Rockefeller Foundation, will discuss how existing health systems can best confront the range of problems associated with child health, including family planning and maternal care.

Yeltsin visits Georgia



Russian President Boris Yeltsin will visit the former Soviet republic of Georgia for a one-day summit with Eduard Shevardnadze, the embattled Georgian leader. Although Shevardnadze still harbours suspicions over Russia's military's role in his republic, he is likely to rely increasingly on Russian economic and political support to extract his country from the ravages of its recent internecine conflicts. The two men are expected to sign a friendship treaty and various economic accords.

The Space Shuttle Discovery is tentatively scheduled for lift-off on an eight-day mission to conduct experiments in a commercial laboratory anchored in the craft's cargo bay. The 5 man, 1 woman crew includes a Russian cosmonaut, Sergei Krilakev, the first Russian ever to be launched in a US spaceship.

The state of Disney's ailing offshoot Euro Disney should be clearer on Wednesday

4 FRIDAY

National Front congress

France's extreme-right National Front party will hold its ninth national congress at Port Marly, outside Paris, until February 6 to choose its top officials, re-elect its president, Jean-Marie Le Pen, and to decide its platform for this June's European parliamentary elections.

The advent of a centre-right government has pushed the Front more to the margin, particularly because the cabinet includes hard-line conservatives like Charles Pasqua, the interior minister. Its national share of the vote dropped from 13.9 per cent in the 1992 regional elections to 12.7 per cent in last March's parliamentary poll.

However, the Euro-elections' proportional representation system favours minority parties, as the Front found in 1989 when it won 10 seats with 11.9 per cent of the vote.

US employment: The markets will be watching to see whether January employment data released in the US will signal a modest deceleration in the pace of economic recovery. Analysts are forecasting a 180,000 rise in non-farm payrolls, roughly in line with the December increase of 183,000.

5-6 WEEKEND

Finnish run-off

The final round of the Finnish presidential election on Sunday pitches Elizabeth Rehn, a member of the tiny Swedish-speaking minority, against Martti Ahtisaari, a former UN diplomat and the firm favourite until Rehn began a late surge in popularity.

Costa Ricans also go to the polls on Sunday. Opposition National Liberation Party presidential candidate Jose Maria Figueres is running neck-and-neck with Miguel Angel Rodriguez of the governing Social Christian Unity Party.

Togo holds its first multi-party parliamentary elections on February 6. Hopefully it will be cleaner than August's poll which re-elected President Gnassingbe Eyadema, in power since 1967.

Wehrkunde conference: Concern over the former USSR seems certain to dominate the exclusive annual event in Munich over the weekend which brings together leading luminaries of the European and US defence and foreign policy establishment for a brainstorming on western security.

Compiled by Robert Anderson
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ECONOMIC DIARY

Other economic news

Monday: The week is dominated by a string of important economic indicators from the US. But today the focus turns to France where Insee, the statistical office, releases its business survey and December unemployment figures. The upward spiral of the jobless total paused in November and economists expect only a small increase in the rate for December.

Tuesday: Another increase is expected for US construction spending in December. Economists believe that regardless of what the latest figures show, the construction industry should perk up in the first quarter when the rebuilding of Los Angeles begins.

Wednesday: If, as expected, the US leading economic indicators for December rise, this will be the fifth successive increase in the series.

Thursday: The focus will remain fixed on the US where figures for factory orders, car and truck sales, plus the weekly jobless and money supply figures are released.

Friday: Markets will wait for signals from US unemployment data as to how strong the economy is growing. Minutes from the last FOMC meeting are also released.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Dec personal income*	0.5%	0.6%
Jan 31		Dec PCE	0.5%	0.4%
		Jan Chicago NAPM	-	62.6%
	Japan	Dec construction orders**	-	-16.1%
		Dec housing starts**	8.2%	8.7%
		Dec construction starts**	-	-8.4%
	France	Dec unemployment rate	12.1%	12%
	UK	M0**	5.8%	5.8%
	Canada	Nov real GDP*	0.2%	0.1%
	Korea	Dec current account	-	$243m
Tues	US	Jan NAPM	56.5%	57.1%
Feb 1		Dec construction spending	1.5%	1.8%
	N Z'land	GDP index, Q3	-	1.7%
Wed	US	Dec new home sales	785,000	807,000
Feb 2		Dec leading indicators	-	0.5%
	UK	Jan official reserves	$77.5m	$87m
	Aus'lia	Dec current count	-A$1.4bn	-A$1.16bn
Thur	US	Initial claims w/e Jan 29	337,000	309,000
Feb 3		State benefits w/e Jan22	-	2,488,000
		Dec factory orders	1.4%	1.4%
		Dec factory inventories	-	0.1%
		Jan domestic auto sales	6.6m	7m

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
		money supply data w/e Jan 24	-	
	Canada	Jan help wanted index	84	85
Fri	US	Jan non-farm payrolls	180,000	183,000
Feb 4		Jan manufacturing payrolls	11,000	2,000
		Jan hourly earnings	0.2%	0.2%
		Jan average workweek	-	34.6
		Jan unemployment rate	6.9%	6.9%
		Dec home completions	-	1.26m
	Canada	Jan employment*	0.1%	0.1%
		Jan unemployment rate	11.2%	11.2%
During this week...				
	Japan	Dec current account	$12.4bn	$8.2bn
	Germany	Dec M3 from Q4 base	7.2%	7.2%
		Dec industrial production*	0.2%	-2.1%
		Dec manufacturing output*	0.5%	-1.8%
		Dec manufacturing orders*	0.2%	-0.8%
	Italy	Jan CPI**	4.2%	4%
	Denmark	Dec unemployment rate	12.5%	12.4%
	N'lands	Jan CPI**	2%	1.7%
	Spain	Dec trade balance	-Pta184.5bn	-Pta200bn
	Belgium	Jan unemployment rate	14.2%	14.1%

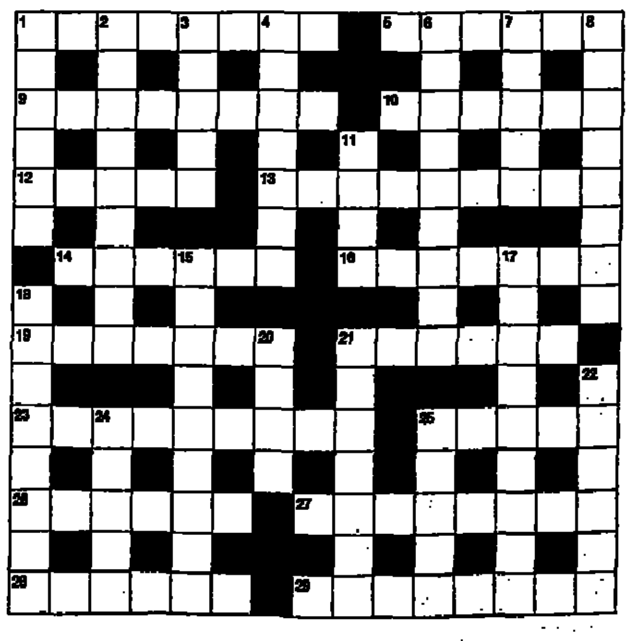
*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD
No.8,367 Set by VIXEN

ACROSS
1 The main constituent (8)
5 Alarms calling for attention in a ship (6)
9 Hired without point, so objected to (8)
10 Bank on many a doctor being presented to the queen (6)
12 Quietly press for a clean-up drive (5)
13 Engaging relation in outdoor exercise (9)
14 Introductory course? (6)
16 Didn't at all like the church interior and came out (7)
19 Using new recipes is nice (7)
21 Well bound (6)
23 Phone a dealer in hot stuff, encompassing protection (4-5)
25 Stick by egghead (5)
26 Horrible tin vase seen sequentially (2,4)
27 Splashdown! (8)
28 Talk about a woman making cats (6)
29 In the meadow heart-broken, and that's tough (8)

DOWN
1 Chopped capers for a pickle (6)
2 Profession offering security (9)
3 She could well appear inane (5)
4 A fitting place for the viewer (7)
6 The odd guy's make-up (9)
7 A poor player cut short the minister (5)
8 Plug into quiet music (8)
11 Hems fancy net (4)
15 Give support to military personnel in 27 (9)
17 A big fish after presents as a goodwill gesture (9)
18 Flashy dispute with the top man (8)
20 A bird in danger - nearly extinct (4)
21 Interview a young attendant and discharge (7)
22 Those entitled will get information on the test (6)
24 A small number put up the money (5)
25 The French in a hole form a queue (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday February 10, marked Monday Crossword 8,367 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 14.

Name...

Address...

Winners 8,355

A. Bentley, Kampala, Uganda

P. and K. Burns, Gants Hill, Essex

R.J. Cross, Stourport-on-Severn, Worcs

S.P. Datta, London W4

R. Martin, Grosmont, N. Yorkshire

Mr and Mrs J. Sanders, Harpenden, Herts

Solution 8,355